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DEPARTMENT OF VETERANS' BENEFITS AUTOMATED DATA PROCESSING (ADP) MODERNIZATION

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

JULY 28, 1988

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DEPARTMENT OF VETERANS' BENEFITS AUTOMATED DATA PROCESSING (ADP) MODERNIZATION

THURSDAY, JULY 28, 1988

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:18 a.m., in room 334, Cannon House Office Building, Hon. Lane Evans (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN EVANS

Present: Representatives Evans and Stump.

Mr. EVANS. The subcommittee will come to order.

The hearing today concerns the efforts of the Department of Veterans' Benefits (DVB) to modernize its ADP application. In a broader sense, however, it concerns the quality of service to veterans.

In the 1970's, DVB spent over $100 million on a project called "TARGET" which was going to improve services to veterans by giving us real-time processing and better controls and quicker response to inquiries. Sad to say, only the inquiry goal has been realized, but the Department of Veterans' Benefits has sacrificed hundreds of positions in FTEE to OMB to pay for TARGET.

Now, following a study contracted out to McManis Associates, Inc. in 1985, the Department plans to spend another $150 million for modernization and pay for it with another 1,100 FTEE.

With the timeliness of service now as bad as we are seeing it, the loss of these numbers of man-years would be disastrous, and even if modernization were to be successful, we have seen no evidence that computers ever save substantial manpower. Their greatest contribution is to allow agencies to do a much expanded job with the same personnel.

Additionally, two reports by GAO cast serious doubts on the adequacy of planning and justification for modernization.

I am convinced that the current ADP system in DVB is inadequate and needs fixing. This hearing today will give us some insight into what VA plans to do about it and what progress they are making.

At this time, I am glad to yield to my good friend and colleague, Bob Stump from Arizona, the senior minority member of the subcommittee, for any remarks he might have.

Mr. STUMP. Thank you, Mr. Chairman.

I don't have a statement this morning. I just look forward to the hearing and what progress we can make in this area.

Thank you.

Mr. EVANS. Thank you very much.

Our first witness today will be Mr. Melroy Quasney, representing GAO. I would like to ask GAO and the VA to limit their oral testimony to 10 minutes so that any members may have adequate time for questions. Of course, your whole statement will be submitted for the record.

STATEMENT OF MELROY D. QUASNEY, ASSOCIATE DIRECTOR, INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY: RONALD MACCARONI, GROUP DIRECTOR OF INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION; AND FREDERICK CHASNOV, EVALUATOR FOR INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION

Mr. QUASNEY. Mr. Chairman and members of the subcommittee, we are pleased to participate in these hearings today to discuss the use of information technology by the Veterans' Administration in general and to provide specific information about the Department of Veterans' Benefits systems modernization effort.

In August of 1986, October of 1987, and January of 1988, we issued reports with recommendations to improve the VA's management of information resources. VA agreed with our recommendations and told us that it was taking several initiatives to respond to them. Currently, we are in the process of following up on those responses.

In response to our recommendations, VA has instituted a number of revisions to its management of information resources. First, it has centralized responsibility for control and oversight of its information resources by transferring most of these responsibilities from the departments and offices to the Associate Deputy Administrator for Management. However, this position also has responsibility for program analysis and evaluation.

While we endorse placing the senior information resource manager at an executive level, considering their past problems and the major modernization efforts of its information systems currently underway, VA may want to carefully monitor whether these additional duties will hamper the senior official's ability to manage information resources.

As part of its effort to centralize oversight and control, VA has established a review and approval process within the Office of the Associate Deputy Administrator for Management which includes a quarterly progress reporting system. In October of 1987, VA also established a System Integration Review Board of senior policy officials from VA departments and staff offices to develop system integration goals, review progress of major system efforts, and resolve systems integration issues raised.

Lack of integrated systems is a problem in many Federal agencies. VA recognizes that systems integration is a key element required to develop an efficient system for providing quality care and

benefits. Many of VA's current systems supporting DVB are as old as 20 years.

Because of the time involved in collecting and manipulating data from these systems, information often arrives too late for VA employees to use to improve service to veterans. With integrated systems, current information could be available to all authorized users, electronically.

Within the framework of VA's recent initiatives, DVB is following a 12-point plan to modernize its existing information systems extending from 1986 through 1994. This plan was revised in April of 1988 in response to our recommendations.

Currently, only the first two points of the plan have been completed. VA is now in the process of defining the activities and supporting information required to run each of the programs and documenting the current systems in place, both manual and automated.

After these steps are completed, VA plans to evaluate alternatives, including their costs and benefits.

While we have not conducted detailed analyses of these short-term projects, we have some observations on them. First, for each of the projects, VA has a supporting statement of needs that ties the project to one of VA's missions. Second, for each of the projects, VA has completed a requirements analysis that delineates planned improvements at a measurable level. Third, for six of the projects, VA has completed a cost-benefit analysis.

Aggregate data from the completed cost-benefit analyses indicates that these projects will cost $52 million and provide benefits of $211 million, a 1 to 4 ratio. These cost-benefit estimates provide direct benefits of $83 million by reducing 400 full-time equivalents and secondary benefit of $128 million by improved information handling.

In summary, VA has recognized that its existing information systems do not provide sufficient information to one, improve service to the veteran; two, improve the efficiency of its employees; and, three, reduce the cost of its benefit programs. Consequently, VA has taken several management initiatives that should help it capitalize on the advances in information technology.

One example is VA's 12-point plan which provides an appropriate framework for modernizing DVB information systems. To the extent that VA successfully completes the plan, its DVB modernization program could be successful.

In our opinion, VA is developing the information needed to justify the 13 short-term projects to meet critical needs within DVB. On the basis of cost-benefit analyses completed to date, VA expects to reap substantial benefits from these efforts by reducing the number of personnel to run its programs and by accruing secondary benefits from more timely and complete information.

We caution, however, that these interim projects do not fully address all of the shortcomings in the VA's existing information systems. They should not be considered as a substitute for the modernization program. Thus, care should be taken to ensure that the interim projects do not inappropriately drive the modernization program or its schedules.

In the long run, I believe the shortcomings can best be resolved through modernize systems that integrate information.

This concludes my prepared statement. We will be happy to answer any questions you may have.

[The prepared statement of Mr. Quasney appears on p. 27.]

Mr. EVANS. Do you know when we can expect a time table for VA's achieving a satisfactory level of agency-wide ADP integration?

Mr. QUASNEY. VA currently has not established a specific date to complete agency-wide integration. I think when you look at system integration in VA, you need to consider the way it is organized and operates. VA has a large medical care delivery system and several large benefit programs.

The Decentralized Hospital Computer Program or (DHCP) system is currently installed in all of its facilities except for 3 medical centers testing commercial systems and provides integrated information within each hospital. They are proceeding with an evolutionary process by developing and releasing new modules that integrate information within the medical centers.

When you look at the DVB benefit programs currently, there is limited integration of information. They are trying to address some shortcomings due to limited integration of information through short-term interim projects that should help before the modernized systems are developed.

I think in the long run where the agency-wide problems from lack of integration will really be addressed is in the financial management systems. Integrated financial management systems are needed to measure the performance of individual programs to assist management in the major departments, and to assist management at the highest levels in carrying out their responsibilities.

I think it is worth pointing out that our previous and current audits of other major programs support this position. I personally have been responsible for audits of the Social Security Administration's system modernization. In 1982, they said that to completely modernize their systems including integration would cost around $500 million. We are now in 1988. We are going past $1 billion, and they are a long way from integrating their systems within programs and across programs.

I think one problem is that trying to define all the information requirements at one time and then to develop and implement systems to meet those requirements becomes too big a task. It is too large and too complex.

The VA has had some success with the incremental approach in the DHCP. We have some criticisms about that approach, that things could have been done somewhat better, but we do not and did not criticize DHCP for using an incremental approach.

We have been recommending to other agencies and organizations with systems equal to and larger than VA to very seriously consider using an incremental approach. I think the important thing is that no one expects an open-ended project, a project that has no definition of what it is, but we feel that an incremental approach with very serious check points before major capital investments are committed has many advantages.

TARGET is an example. An idea was conceived. It wasn't well thought out and well defined. Yet, almost immediately, VA installed all of the computer equipment at all the locations. A major capital investment was made, and it is questionable as to how much was the return for that investment and how long it took before that investment started reaping any benefit in return.

The other side is VA's use of an incremental approach with DHCP. It has installed modules early that could begin the process of helping administer the program, improve service to the veteran, and provide continued improvements over time.

So, I think in summary that the real question is not when it will be finished. The real question is whether Congress and the VA—and GAO, if it were asked to look at it— establish appropriate checkpoints to determine that yes, progress substantiated through prototyping is being made with minimal capital investments. When major decision points are to be made, I think the onus is on VA to prove that it is going to improve service to the veteran and at a reasonable cost and to gain assurance that it will be completed in a reasonable time.

Mr. EVANS. Given the 12-point modernization plan, what is the estimate of when we could expect real-time processing on compensation and pension cases and loan guarantee cases?

Mr. QUASNEY. Under VA's incremental development approach, it is targeting to begin deployment of parts of the modernization program beginning in 1992 and extending through 1994.

It is too soon and it will not be until May of 1990, if they stay on schedule, where there will be enough information available to complete analyses so that they will then be able to determine how to best deliver the mission pieces in a sequence and what the best way to do that sequence is. We hope that VA will prioritize that sequence to address where its most critical problems are in terms of services and where the best return on investment can be derived.

So, I cannot answer, and I don't think the VA can answer you at this time as to when that specific mission will be done. That should occur by May of 1990, and then they should be able to answer at that time, if they do it correctly, the sequencing of all modernization improvement efforts.

Mr. EVANS. Your statement mentions that the VA is more than three years away from beginning to implement modernized systems. In view of the shortfalls and inadequacies in existing systems, particularly the compensation and pension system, can modernization wait three more years? Can we afford to wait three more years is what I am asking.

Mr. QUASNEY. The best way of answering this is to use TARGET as an example and other experiences we have seen in other agencies. TARGET promised, in a very short period of time, that it was going to deliver a high level of service improvement to the veteran.

What you saw in that process was a lot of money being spent and, until it even implemented its first piece of information to help, a lot of time passed. As time continued to pass, it took longer and it cost more money, and it has been looked at as saying it did not achieve all of its objectives.

I would point out that the same situation exits at Social Security where it said in two years, we will be ready to start installing our systems, and in five years, we will be done. We are now projecting 1994, from 1982 to 1994.

So, the real question is, can we afford not to wait if it is not going to be done correctly? I think that the modular approach, if done correctly, will start delivering early service improvements, but they need the time to completely define that system and understand what they really think it is going to look like before they proceed to actually implement the system.

I think everyone has to understand that when you go into a modernized integrated environment, you are talking about affecting the daily work of everyone in the VA organization or everyone in the Social Security Administration. It changes office process. It changes office procedures. It changes everything about how they do their job.

That takes time to define and understand, and we think prototyping is very important to make sure that the people providing the service can deliver that service efficiently and effectively with the computer system and that they can deal with it in the day-to-day working environment. For that reason, I don't think the system can be done sooner.

Another problem, in my experience prior to GAO in designing and implementing systems and at GAO in auditing other agencies, is that throwing more resources at a problem many times has the reverse effect of that intended. It expands the scope of the project and the number of people making management control more difficult. Many times, it causes more chaos and, in fact, can make the project take longer and cost more money.

Mr. EVANS. You are talking about resources in terms of dollars or more hardware or software or things of that nature?

Mr. QUASNEY. All of that. When you think of adding more hardware, it becomes a lot more complicated to support all that hardware. It becomes a question of when you start trying to define requirement. It's easy to think that if we add a bunch more people to work with the users to define requirements, we will be able to get it done faster. But then you have the job of bringing all that information in at one time, sifting through it, and trying to lay it out in a very clear and precise pattern to attack the total problem right up front.

The only thing I can say is that experiences with other Federal agencies and in my own experience in private industry, I have seen where even private industry has had problems crop up when Federal agencies and private firms take on too much at one time, the computer systems do not deliver expected results, they take longer to complete, and they cost more money.

Mr. EVANS. Let me turn that around. At the same time, we are talking about cutting 1,100 FTEE on the premise that data processing is going to make the VA more efficient. Is that in any way justified, in your opinion? Do you have an opinion on that issue?

Mr. QUASNEY. My opinion is that VA, in the interim projects, is attempting to define an appropriate measure of success, something that someone can collect information on, look at, and make a rea-

sonable analysis and a reasonable decision that it achieved its measurable objective.

If these interim efforts improve VA's operations to the point of where less staff resources are needed to accomplish the mission, then I think it is incumbent upon all of us, considering the problems we are having with the national debt, to reduce resources as long as we can effectively also deliver service.

Mr. EVANS. Well, we really haven't seen that happen as of yet.

Mr. QUASNEY. No, sir.

Mr. EVANS. And I think in any kind of cost-benefit analysis, we must, of course, in this agency, weigh in the services to the veterans themselves. That has to be properly put into that process.

Let me ask you another line of question. Do you think that in developing its ongoing efforts that there is the proper prioritization of needs? In other words, some of the interim efforts, I understand, involve compensation, pension, and education. Aren't these applications that are in the most trouble and shouldn't they get the first attention in terms of these interim efforts?

Mr. QUASNEY. From our limited analysis looking at the thirteen projects, we think that six of the interim projects will have an impact on the delivery of compensation, pension, and education benefits. They are talking about putting more real time information in. By real time, I mean information available that can be accessed electronically as to what the status is of a particular veteran's payment.

They are proposing projects that put information into the hands of employees providing services to veterans. They are also attempting to, for example, in one project, to have bar code technology. You have probably seen bar code scanners in your grocery store. They are attempting use bar code technology with the folders for veterans so that tney can locate where the information is and who has it. I think that would be an improvement.

They are also attempting to provide information system support for field people that go out and check on cases, to electronically capture that information and electronically transmit it to the appropriate place to speed up the flow of work and make their employees more efficient.

There are indications that these are improvements, and they have established measurements, and they are going to prototype it. I would suggest you may want to make sure the prototypes are done well and achieve their objectives. If it does, it will improve service to the veteran.

Mr. EVANS. All right. We have no further questions of this panel. Thank you very much for your time today.

Mr. QUASNEY. Thank you.

Mr. EVANS. Our next witness is Mr. David Cox, Associate Deputy Administrator for Management of the Veterans' Administration. We also have Mr. Vogel, Chief Benefits Director of the Department of Veterans' Benefits, accompanied by Ms. Rhoda Mancher, Deputy Chief Benefits Director for ADP Systems Management. Ms. Mancher has recently been appointed to this position.

We want to welcome you all to the subcommittee today. Without objection, the prepared statements which you have already submit-

ted will be made part of the record, so you may proceed in summary fashion.

Mr. Cox, we will begin with you.

STATEMENT OF DAVID A. COX, ASSOCIATE DEPUTY ADMINISTRATOR FOR MANAGEMENT, VETERANS' ADMINISTRATION

Mr. Cox. Thank you very much, Mr. Chairman.

I will summarize the statement and be brief so we can move to the questions.

I am pleased to be here today on behalf of the Administrator in response to your request and would like to summarize briefly, from my perspective, the overall management approach that we are taking in the VA relative to modernization. Mr. Vogel will speak specifically to the modernization effort and the short-term improvements as well.

During the last several years, the VA has made tremendous progress in the IRM area. We have solved many of the problems that were confronting the agency for many, many years. We have implemented an agency-wide ADP planning system which derives specifically at the point of integration that we are trying to achieve.

We have secured funding for the full DHCP program which this committee assisted us in in a very significant way. We have reorganized and strengthened the Department of Veterans' Benefits. Ms. Mancher is responsible for the automation efforts in DVB now, and I have had the pleasure and distinction of working with her in the past ten years, and her reputation in this community is without question. So, she will be a significant addition to the Department of Veterans' Benefits.

We have a systems integration review board that DVB is represented on to address the management issues of integrating these major systems. We have managed to upgrade the budget for ADP systems in the Veterans' Administration from approximately $340 million in 1986 to today's level of almost $500 million per year.

We have increased the capital expenditure budget in that particular area by over 50 percent in that same period of time to enable us to make the investments that we need to and will continue to ask for your support in the future for that area.

We have a very aggressive plan to implement a VA-wide integrated data communications utility. Simply stated, it will take all the diverse communications systems within the VA and put them into one network so that all of our computers and all of our field stations can communicate easily, and a person at any location can get information from any other computer at the time the system is implemented in 1991.

We have had our ADP procurement authority restored, and we have had a number of increased delegations from all the oversight agencies as a result of the work that we have done.

So, the efforts over the past two and a half years represent tremendous accomplishments by each individual department and staff office working toward a common goal. That goal is to bring together the integration which you asked about earlier, specifically, to make sure that we can provide veterans with the information that

they need and our employees with the information they need to handle a veteran's claim. It doesn't matter whether they are there for medical care or there for veterans' benefits. It is a veteran, and the veteran needs to have that information made accessible.

So, we have a mosaic in our overall plan which includes things like the financial management system which is geared to be completed and integrated by 1992. It includes the DHCP system and the tying in of that to the financial management.

It includes the logistics and supply support systems to take care of our medical centers. It includes modernization which we will talk about in more detail, but it also includes the performance measurement system we call the management and decision support system which replaces many of the old and very labor intensive production reporting systems that the agency used to have.

These are all geared—in fact, they are laid out in the executive summary which I have provided to you, but we have also provided to your staff the details of this plan which takes the steps through from all these disparate organizations in the VA shooting at target dates basically in the 1992 time frame as these systems will come together, and there are step by step plans which show that. This is being transmitted to all the members of the committee, and we have provided you with an advance copy.

So, in summary, we have, we think, a very effective plan for the agency. DVB has a very effective plan for two things. First of all, they are taking advantage of short-term opportunities to move equipment and services out to the field stations where it is desperately needed, and we have funded things this year in 1988 and we have aggressive plans to do things in the out years.

The second part of that is the long-range plan which Mr. Vogel will speak to, but it does balance it out, as Mr. Quasney indicated, so that we can meet all of the requirements that we have. It is a large, complex organization. It will be a large, complex series of systems, and the work has to be done correctly in sequence. It is like building a building. You have to build a firm infrastructure so that you can put the rest of the frame on the building.

So, these things are being done. I am very pleased with the progress, and I know the Administrator is pleased with the progress. We would like to do more faster. There is no doubt about that. By the same token, we want to make sure that every step we take is being done properly and with the best interests of the veteran as well as utilizing all the dollars that we have available to us.

So, we think we are moving with as much deliberate speed as we can.

On a personal note, I would just like to say a few things. This will be my last appearance before the committee in any official capacity. I will be leaving government and returning to the private sector on August 15.

I want to thank the committee and the chairman and, in particular, Mr. Montgomery and Mr. Solomon for the support they have given the VA in helping us to really make significant improvements in ADP. On a more personal level, I would thank them for the support and confidence they have provided me. It has been a tremendous honor for me to be able to serve the veterans and be able to work with this committee, and I look forward to continuing

to provide whatever support I can in my non-official capacity in the future, but I do want to thank you very much for the opportunity.

This concludes my statement, Mr. Chairman, and I would be happy to answer any questions you may have.

[The prepared statement of Mr. Cox appears on p. 39.]

Mr. EVANS. Mr. Cox, we wish you good luck in the new part of your career.

Let me ask some questions here, and then we will have Mr. Vogel testify.

Your statement emphasizes management, organization, information, and so forth. These are all very worthwhile goals, but, of course, this committee is more concerned with better and more timely service to our veterans. What assurance can you give us that DVB will give full support in achieving those goals?

Mr. Cox. I can give you my observations in that area, because I have seen a commitment from the top management of DVB from Mr. Vogel down through his deputies down through the field station directors of the people pulling together and working as teams to identify what service improvements are needed, to find out where they have to make the systems changes, where they may have to make organizational changes and procedural changes, and I have seen an increased spirit of teamwork and cooperation. It is under his leadership that this has come about, and I see that work going on every day.

And it is evidenced in the products. I have reviewed the requirements definitions and the cost benefit analysis, and it is obvious that what they are gearing for is service.

Yes, we are trying to save money also, but service is the number one priority as established by the Administrator, and it is obvious that they have given a lot of thought to those efforts, and they have worked hard to put together plans that are realistic and that will in fact provide that level of service in each of the different areas within a regional office.

Mr. EVANS. Phase 1 of the 12-point plan will not end until the end of fiscal year 1989. That would only consist of analysis, I understand. When can we expect real-time processing which we were told we were going to get over 10 years ago with TARGET?

Mr. Cox. I think if you take a look at the alternatives that are being considered, the TARGET system when it was put in—there has been a lot of criticism of it. By the same token, if you were to ask anybody who uses it if we could take it away, they would tell you that there is absolutely no way that they could survive without that system. So, I think it is a double-edged sword.

In 1990, we will be able to tell which of the alternatives we will be pursuing. Should we pursue a more centralized approach similar to TARGET? Should we pursue a more decentralized approach similar to what we are doing in the DHCP program in the hospitals where we have a lot of computing power at the local facility, and what should that balance be?

There is a series of work going on to define that. I think Mr. Quasney answered the question appropriately. At that point in time, the Chief Benefits Director will be in a position to prioritize those systems improvements based upon the work that has been done, and it won't be a hip shoot guess. It will be an accurate

answer based upon a lot of hard work taking a look at an investment which is going to require hundreds of millions of dollars.

At that point in time, we will be able to tell you specifically when we would have on-line processing for CP&E but, moreover, when we would schedule the other improvements to be in place in the field stations as well.

Mr. EVANS. There is concern that in setting these short-term priorities that maybe it is not the priorities of this committee that are being set. So, we are concerned about the more pressing areas, those, for example, in compensation and pension processing.

When can we expect some break-throughs in those areas?

Mr. Cox. I think what you will see is the list of 13 short-term projects, and that has been worked with the field station directors through the management advisory committee and with Mr. Vogel and his staff. It is my understanding that that represents their priorities within the realm of the possible, and the realm of the possible includes those things which you have funding to do and the technical ability to complete.

To rework TARGET, no matter how you cut it or slice it, is a major systems undertaking both in terms of procurement lead times and in terms of analysis and potential conversion lead times. So, you can't make a quick fix there.

You can make some quick fixes in the areas that we have identified so we can get relief in areas where we have staff shortages, where we have opportunities to improve service to the veteran, and we can provide some relief to those offices now so that we can free up the resources to work on some of the bigger problems such as the ones you are referring to.

Mr. EVANS. We also have a problem with the cut-backs in the FTEE, and that is occurring at a time when we have had lengthy times for processing of claims. How can we be sure that the further cuts in FTEE won't in fact either lengthen that time or hurt the overall operation of the VA?

Mr. Cox. Well, we do provide reports out on the amount of time necessary to complete the claims. You know the FTEE levels as well as we do, and you review them with us every year. We are certainly responsive to keeping you apprised of how we are doing in that area.

We have to make our budget estimates 18 to 24 months in advance of the actual operation that goes on. So, to the extent that adjustments are needed or this committee or the Appropriations Committee requests us to make adjustments, we would certainly be responsive to that.

We are making these estimates based on our understanding of the environment 18 months in the future. So, we expect that there would be adjustments from time to time, and I think we have always been responsive to the concerns of this committee, and I think you have been responsive as well to us in telling us where you feel we need to shore up or change some of our plans.

So, I think it has been a good two-way communication in that regard, sir.

Mr. EVANS. In regards to the several short-term improvement initiatives, are funds included in the President's budget for fiscal

year 1989 to implement the initiatives to be undertaken in that fiscal year?

Mr. Cox. We have funds in the 1988 program which will affect 5 of the 7 approved programs right now. In the 1989 program, we do not have full funding for all of the initiatives. We have mainly funding for the operations and maintenance for those that we had already taken care of.

The fiscal year 1990 budget is under deliberation. While I am not at liberty to discuss any of the details of it, we are certainly taking a strong look at each of those 13 short-term items.

Mr. EVANS. So, are you saying that basically we have an initiative plan that we don't have money for in fiscal year 1989?

Mr. Cox. What we have right now is we have 7 approved short-term initiatives, 5 of which are being funded to the tune of approximately $10 million in fiscal year 1988 to augment equipment in the regional offices, and the balance of the 2 we don't have money for at the present time.

Mr. EVANS. And is that going to affect the time table that has already been specified in terms of these improvements on the short-term basis?

Mr. Cox. The short-term basis for those that are approved will take place.

Mr. EVANS. Yes, but the ones that are not approved — You are talking about a long-term time table, and we are building on these building blocks, you might say, over a period of several years, and we don't have the money in the budget to provide for them in 1989. How is it possible that we get to the long term if we are not investing in those short-term initiatives?

Mr. Cox. The long-term initiatives in the 12-point plan are running on a separate track and are moving along independent of the short-term initiatives. The short-term initiatives we have done, we have identified opportunities for saving, and we have gone to OMB to ask for funding on those items, and we are hopeful of getting the approval and the funding at the same time. The 1989 budget request covers only the basic overhead requirements of the long-term initiatives.

You are right that approval without funding is hollow, and that is not our intention at all. But the money and the staffing that has been dedicated to the long-term plan is going on, and that is moving along on a separate track, and we are not robbing from that in order to take advantage of the short-term opportunities, because then we wouldn't meet the long-term goals.

Mr. EVANS. Obviously, not getting the money in the short-term implementation of that program can affect us in the long haul.

Mr. Cox. What it will affect in the long haul are some very specific short-term targets of opportunity. It will not affect in terms of the overall long-range plan unless Congress were to disapprove the funding that we had requested in 1989 and subsequently request for 1990. We have received no reluctance to fund the long-term plan in any of our discussions with OMB based upon our plans we have laid out.

We did run into problems when we weren't meeting some of the milestones back about a year and a half ago, and we ran into some

problems with securing funding. We have discussed those at the appropriations hearings as well as here.

Mr. EVANS. With all the system integration you delineate as needed, isn't it time that you actually effectuated common numbering?

Mr. COX. Common numbering in what regard, sir?

Mr. EVANS. In terms of system integration in terms of just the processing of claims and interrelationship with other elements of VA, is the way I understand it.

Mr. COX. I would have to defer to Mr. Vogel and Ms. Mancher on that relative to claim numbering systems and things of that nature.

Mr. EVANS. We can either hold, Mr. Vogel, on that or talk about it now, whatever you prefer to do.

Mr. VOGEL. I can talk about it now, Mr. Chairman, briefly.

You are right, we have some disparate numbering systems. The medical system runs on Social Security numbers alone, and we run on claim numbers and/or Social Security numbers and insurance numbers. We have in place as a method, however, of dealing with synonym type arrangements so that when one accesses one record maintained under one number, you can derive the other number. It is not as impeding as it suggests in the processing of our work.

Our claims numbers on a lot of the older claims were established under a "C" number, and the new ones are under Social Security numbers. We don't see a real benefit in going back and retrofitting those old claim numbers, the 8-digit claim numbers, but there is a method in place to cross reference and identify them. It shouldn't be any particular problem.

Mr. EVANS. How does DVB communicate, then, with DM&S if it doesn't have the same claim codes?

Mr. VOGEL. When DM&S accesses via Social Security number a VA claim record which may be on a C number, it is an automatic match-over. The hospital runs on Social Security numbers. If we are attempting to access a record of Joe Veteran under that number and access the identification system and/or our compensation and pension match of the records, it will identify that veteran even though we may have him identified on a record by the claim number. The Social Security number is in there and draws the full record out.

Mr. EVANS. Mr. Stump?

Mr. STUMP. Thank you, Mr. Chairman.

Mr. Cox, let me thank you for your testimony and the job you have done and wish you well in your new venture.

Mr. COX. Thank you.

Mr. STUMP. What is the time table for the Department of Veterans' Benefits modernization?

Mr. COX. The time table for the modernization program itself is in two phases. By mid-1990, we will have completed the requirements and alternatives analysis which will then give us some options, really, as to which way we wish to proceed for the balance of the implementation which will take place, then, between the 1991 and the 1994 time frame depending upon which of the options are chosen, whether it will be one large procurement, a series of small-

er procurements designed to bring processing power to regional offices and then to upgrade the main computers.

So, I can't answer with specificity what we will have between 1991 and 1994 until we have completed that alternatives analysis, but it will provide a range of options to us with costs, benefits, and time tables associated with each, and the benefits are much more than just cost benefits but service benefits as well, because that is really the purpose of the program.

Mr. STUMP. Do you agree with GAO that the VA is more than three years away from implementing a modernization system?

Mr. Cox. I think that is an accurate time table given where we are. We are in 1988 today, and we will be beginning in roughly 1991 with that longer-range piece of the modernization issue. For the short-term improvements though, we have funding secured and we are doing procurements today as we speak to ship additional equipment to the field stations to take care of local processing problems that they are having.

Mr. STUMP. Thank you.

Thank you, Mr. Chairman.

Mr. EVANS. Thank you, Mr. Cox. You may either stay there, or we will excuse you if you have other business.

Mr. Cox. No, sir. I can stay.

Mr. EVANS. We now want to hear from Mr. Vogel.

We may get a vote here, Mr. Vogel, on the Journal. If we do, I may have to interrupt you, but if you want to proceed and summarize, if you wish, from your statement because it will all be in the record, we would appreciate it.

STATEMENT OF R. J. VOGEL, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS' BENEFITS, VETERANS' ADMINISTRATION; ACCOMPANIED BY: RHODA R. MANCHER, DEPUTY CHIEF BENEFITS DIRECTOR FOR ADP SYSTEMS MANAGEMENT

Mr. VOGEL. Thank you, Mr. Chairman. I will summarize briefly.

Both Mr. Quasney and Mr. Cox have made very accurate statements about the TARGET system which we have had in operation since 1978. The Department of Veterans' Benefits turned to ADP in a big way in 1960 and has built on that support over the years.

The present TARGET system has served us well and served America's veterans well. It will help us to deliver this year about $16 billion in monetary benefits to veterans and beneficiaries.

However, we probably declared a victory a little too early on the TARGET system. It is largely a system for processing compensation and pension and education claims and for being able to access for purposes of eligibility for other programs the master records of veterans. We can help veterans by giving them quick information through accessing that system.

We did comparatively little in some of the other program areas: insurance, loan guaranty, and those activities that our regional offices support in the major programs that we administer— for instance, the administrative and the finance activities.

Some of our short-term initiatives deal with trying to give our employees tools in the support activities to help the delivery of ben-

efits in a more meaningful way. We have made significant progress.

We have an organization in place now under the excellent leadership of Ms. Mancher. Our goals and objectives are clearly defined and are consistent with the overall agency goals.

One of the largest impediments we have now in the present system—the term maintenance has been used—is to be able to make changes with programs that I describe in layman's terms as rather brittle. It is very difficult and laborious to make changes. We are able to make changes quickly in a few ancillary systems that use modern software. I refer to the centralized accounts receivable system. We can make quick changes there because it is state of the art software.

In early 1987, we increased the capacity in TARGET because we were running into capacity problems with our computers. We needed that to buy a measure of time until we implemented long-term solutions.

Air Force and Navy pay centers are preparing to access our master records. In the near future, the other military services will be able to access them also, and we are not far away from being able to access those service pay records to see to it that when retired pay and/or VA benefits are common to the same individual veteran, we can make the payments quickly and accurately.

We have real-time processing for the Chapter 30 processing. That is the system for the Montgomery GI bill which we run out of the St. Louis regional office. That is real-time processing. That is a modern system that was created in the recent past and installed in April of 1988.

We are working on office automation upgrades and on integrating the office automation system and the TARGET system so that our employees can use both these tools to work in the local office computing environment and the TARGET environment.

In summary, I think we have made some real progress. We are very appreciative of the helpful way in which the General Accounting Office has dealt with this. Mr. Cox and his staff have been very effective. Servicing veterans is our very first concern and the quality of that service is paramount.

Thank you, Mr. Chairman, for this opportunity. Ms. Mancher, Mr. Cox, and I would be pleased to answer any further questions you might have, Mr. Chairman.

[The prepared statement of Mr. Vogel appears on p. 49.]

Mr. EVANS. Mr. Vogel, thank you.

TARGET was conceived in 1972 and installed in 1978 with the primary goal being real-time processing because of problems associated with 8 or 9 processing cycles per month. Now, in 1988, can you tell us, besides the Montgomery GI bill, how close you are to real-time processing, particularly in areas of pension and compensation?

Mr. VOGEL. We are really not close to it at all. I can tell you why.

We can update the master record 8 times a month now. What that does is if I am an adjudicator and put an award in today, a cycle will run and will take all this assembled award data from all the 58 regional offices and make a tape and send it to Treasury. It

sends checks out or, in our system, it will send out a letter to the veteran – an award notice or a denial letter or whatever.

Treasury is not prepared to deal with us on an on-line basis. We have still got to get them tapes so they can generate checks.

The cost of an overnight update is so high with so little resulting benefit to the veteran, that we have not vigorously pursued overnight updating in the presently constructed CP&E system, in large measure because of the interface we have with the Department of Treasury. They are not prepared to do an on-line update and send out checks, if you will, whenever we process an award.

Mr. EVANS. Any idea when we could expect this to happen, though, realistically in, let's say, compensation and pension?

Mr. VOGEL. I don't know that I can answer that. Maybe Ms. Mancher can. I don't see it on the horizon myself.

Mr. EVANS. Ms. Mancher?

Ms. MANCHER. I would say that when you see modernization, when we look at the alternatives at the end of 1989, then we will know better when we might do something like that. Our staff in DVB is still pursuing this with Treasury. It is not something that has been totally laid aside. We are talking to them about possibilities in changing the way we process, but at the moment, I couldn't give you a date.

Mr. EVANS. You cite the importance of the model regional office concept, one of which is Philadelphia. How does this differ from the tests you conducted with the Philadelphia office from 1973 to 1978?

Mr. VOGEL. Philadelphia was used then as a laboratory for testing the TARGET system and refining it as necessary, prior to its installation on a nation-wide basis. The model regional office concept for Philadelphia will do three things.

First, it will try out systems in a working environment. Regional offices, through an effective communication system, through the field operations, to the program management, and on into Ms. Mancher's ADP systems management operation will identify improvement opportunities to try them in a working environment where we do in fact have the support of a data processing center in Philadelphia.

Second, it can be used to test the short-term initiatives that have been mentioned earlier, the 13 short-term initiatives, and to test those technical systems that support them.

Third, TARGET was solely a CP&E system. This model station goes far beyond that. We are looking at loan guaranty and finance and admin and all the other benefit programs that we administer in that model station concept.

Mr. EVANS. I understand that you provide TARGET access to the Army and Navy finance centers to help reduce duplicate payments. Have you ever considered asking these same installations for access to their records in a like manner to help regional offices resolve similar questions?

Mr. VOGEL. Yes, we have indeed, Mr. Chairman. The ability is a part 1 and part 2 thing. Part 1 is that they have access to our records. So, right now, it is a one-way street. That is the Air Force and the Navy are preparing to access our records now. The others will have access in the near future.

We expect by the spring of 1989 to have access to theirs. Each separate service department has to go through a process of Privacy Act notices. They have no conceptual problem with it. They merely have to go through the administrative process of doing that, and then we can have access as well.

It reminds me of the fact that we have a way for the hospitals to access our CP&E records called HINQ—Hospital Inquiry. The hospitals like that very much. We think it is helpful to them. It helps them provide the service to veterans, and that is what we are all about.

That, too, is a one-way street. We still cannot get the same access to hospital information necessary for the adjudication of claims. However,that is a goal of ours, and we expect to achieve it in the near future. The Chief Medical Director is as committed to that as I am.

It is a rather long answer to a short question, Mr. Chairman, but by the spring of 1989, we ought to have access to those other pay systems of the separate service departments.

Mr. EVANS. GAO has discussed at some length in at least two reports the adequacy of your documentation and your planning. What have you done to meet their criticisms?

Mr. VOGEL. I will pass that to Ms. Mancher, if I may, Mr. Chairman.

Ms. MANCHER. We have a number of projects underway to document our whole system. Those projects are what would make up the information that would lead us to prepare the functional requirements document that was mentioned earlier and then provide the data for the alternatives analysis so we could decide what modernization would actually look like.

Those studies were—documentation studies, if you will, a number of them are underway right now. They have to do with inventories of both software and hardware. They have to do with telecommunications, work loads that we would expect, have to do with our systems themselves, inventorying how they are composed and how they relate to each other. We have an initiative underway to use a modern systems development tool. That would also give us more information about our systems and would feed this model.

There are probably half a dozen or so studies either underway or initiatives that will end up with documentation. So, I think that is all well underway.

I might add that that is all part of the plan that Mr. Cox was mentioning earlier. It is all delineated in the plan.

Mr. EVANS. I yield at this time to Mr. Stump for any questions he may have.

Mr. STUMP. Thank you, Mr. Chairman.

Mr. Vogel, how will modernization affect DVB's staffing needs?

Mr. VOGEL. Modernization will give our employees the tools they need to do the job. We have no intention or I certainly have no intention and the Administrator has no intention of planning for a reduction in the personnel needed to do our job without having those tools in place. We are not going to do it on the come any more, to use the term you find at a craps table.

We believe, too, that we have the understanding and support from the Office of Management and Budget on that. On my watch,

I certainly don't intend to take out necessary human resources we have to process claims when our employees, many of them, are doing things in a labor intensive fashion dealing with the movement of paper back and forth rather than exchanging data through electronic linkages.

I don't want to in any way denigrate the level of service to veterans.

Mr. STUMP. Would your ultimate goal be to go to a completely paperless system?

Mr. VOGEL. Mr. Stump, we are prototyping a paperless system for the Montgomery GI bill, the active duty program, Chapter 30, and we had an opportunity, of course, with a newly created program now permanent in nature to try that technology. It is being prototyped now, and it is working rather well.

All people I have spoken with both in public and in private sectors indicated they can't really see a payback from retrofitting our present system into any kind of paperless file process.

We surely would do it if it were feasible, but we made an effort to do that a few years ago with just our loan guarantee records at two of our regional offices, and we quickly learned that we were expending significant resources rendering paper into electronic media in a paperless system and that we would never get paid back for it. We aborted that effort.

Mr. STUMP. I understand that, but the future would be paperless.

Mr. VOGEL. Absolutely. We have great hope for the future. The Chapter 30 applications at St. Louis give us an opportunity to test and prototype the paperless concept. It is very likely that it may have application for other programs when records are being created today and in the outyears for veterans' eligibility for those programs.

Mr. STUMP. Thank you.

Mr. EVANS. What impact are we going to have on reducing what we consider to be an unconscionably long period of time to process pending claims in the future with the implementation of these short-term initiatives? Do you foresee a cut in processing time as this unfolds?

Ms. MANCHER. Yes. The whole purpose of the short-term initiatives is to shorten time spent in, for example, filling out code sheets and then entering those code sheets into the system or teletyping where there are several steps contributing to a process that can be done on-line and sent directly into the system.

We have a number of those projects that are called code sheet elimination, for example, that show a lot of promise. As a matter of fact, I would say that a number of those short-term initiatives are focused on giving some relief in that way to the regional offices.

Mr. COX. Let me add just one thing to that, because it is not just a technology problem in terms of the time it takes to process claims. There are procedural issues. There are minimal times that you have to provide for responses and going back and forth. There is certain documentation that is required to be kept in the file and so on.

We have another project underway which is our management efficiency program where we have five regional offices participating in trying to identify ways to change some of those procedural as-

pects, to simplify some of those, and there have been a number of requests from the field which have come up through the Department of Veterans' Benefits chain to address those issues, because there are many opportunities apart from automation.

Automation makes many more things possible, but I think it is a two-part issue. I think it is the type of effort that needs to be taken in conjunction with many of the requirements which are levied from Congress and how that effectively gets implemented to improve this process.

So, I think there are many opportunities and many projects that we have going on right now to take advantage of that. I would also just like to add in that respect, that is an example of where when you combine the information management job with the program analysis and evaluation piece, you start to get a comprehensive answer to some very sophisticated and comprehensive problems.

It is that type of effort that we have underway and we need to continue and to push to hit the real issue of improving service, because it is a multi-dimensional problem.

Mr. EVANS. We have had the feeling on the committee that because of significant losses of personnel in the department that that has aggravated the processing and the quality, actually, of decision making within DVB and that past improvements in data processing really have been paid for by losses in personnel. Can you really afford the 1,100 FTEE losses, and are we seeing the modernization make up for that?

Mr. VOGEL. If we can get either secured through the budget process or through reprogramming identified available funding sources on a lot of the short-term initiatives (the 1989 budget does not address funding for the remaining short-term initiatives and for projects necessary to the implementation of the long-term modernization solution) spoken of earlier, we are prepared to reduce the FTEE. We can't do it unless we have the building block tool, and that is the systems in place.

Mr. EVANS. We thank you very much for your time.

Mr. Cox, good luck to you.

Mr. COX. Thank you, sir.

Mr. VOGEL. Thank you, Mr. Chairman.

Mr. EVANS. Our final witnesses today are representatives of veterans' service organizations, Mr. Gordon Mansfield, Associate Executive Director for Government Relations of the PVA; and Mr. Dennis Cullinan, Assistant Director, National Legislative Service, Veterans of Foreign Wars.

We welcome you both to our committee. Of course, your statements that you have submitted will also be put into the record. You may summarize from them.

We will start with Mr. Mansfield.

STATEMENT OF GORDON H. MANSFIELD, ASSOCIATE EXECUTIVE DIRECTOR FOR GOVERNMENT RELATIONS, PARALYZED VETERANS OF AMERICA

Mr. MANSFIELD. Thank you, Mr. Chairman, for the invitation to testify this morning.

This hearing is important to PVA, not because we are experts on computers but because we are a veterans' service organization. For the 14,000 PVA members and all other veterans, dependents, and survivors that are served by our 55 service officers nationwide, we have concerns.

We see the time stretching out on claims that are being handled. We see delays. We see a lack of communication between DVB and DM&S.

PVA's feeling is that there is a need for adequate, accurate, and timely service to veterans, dependents, and survivors. That is the goal, the mission of the Veterans' Administration.

Also, in a time of budget constraints, it makes sense to pursue cost effective strategies, but continuing pressures by OMB resulting in FTEE losses or attempts at cuts on salaries being absorbed and on training being denied seems to us to be a self-destructive course.

As I said, I am not an expert on computers. Doug Volmer, the National Legislative Director, and John Bollinger, one of his associates, put together what I think is a very good testimony which is included for the record, and we thank you for that.

In trying to figure out how to get our message across while driving in today, I thought I could use the analogy of a whale. What you have is DVB as this big whale, and it is swimming out there in the ocean. Most of the time, it is under water and nobody is seeing what is going on, because it is down there doing whatever whales do eating fish or shrimp or plankton or whatever they eat, and it is swimming around.

Really, the only time we get to see it are two times. One is what I call the Jonah analogy when Jonah got swallowed up. It is kind of like when a veteran gets swallowed up by the system and then we jump in there to help, PVA service officers for example, jump in there to get our Jonah out of the whale.

However, Jonah, I don't think, spent a lot of time while he was in there checking out, for example, whether there was tooth decay or whether the arteries were good. Jonah just wanted out of the system. I am sure every second spent in there was too long.

For example, when cases have problems, in our case, we want our Jonahs out so we get into the system then, but it is kind of an immediate fix.

The other analogy occurred because I had a chance to sneak off last week for a few days up at Cape Cod, and I was in Provincetown. I went to the docks to see the fishing boats come in. I went out to the dock, and I passed all these little booths where they sell you tickets to get on a boat and go out and see the whales.

In all deference, sir, I think that equates to this oversight hearing. You are taking a boat out there to see the whale and to get out there, and the whale comes up, and you look at it, and you say, well, it looks good. The eyes are nice and bright or it is shiny or, in this case, you say, well, maybe we have a bunch of barnacles here and they need to be scraped off.

But then the whale goes back under the water and swims away, and maybe we won't see it until it comes back again a year from now.

There is another thing, too. This isn't the biggest whale in the ocean. There is another whale out there that is maybe even a little

bit bigger. Our experience at PVA is that the DM&S whale is over in the Pacific ocean swimming around and the DVB whale is over here in the Atlantic Ocean swimming around.

Maybe there are some times when those whales for some reason for whatever whales do need to talk to each other. That doesn't seem to be happening on a regular basis. Maybe sometimes they happen to run into each other somewhere in the Arctic Ocean or the South Pacific, but it is like crossing paths.

So, we think what we need here, sir, is more whale watchers or a better way to keep track of that whale while it is swimming around the world. Our feeling is maybe what we need to do is use the analogy of this computerization system like people get—and you see this on PBS—what we need to do is put a little device on there.

One way to do that would be to check into their computer system and keep track of it. Then, when we wanted to know what they were doing and what they weren't doing, we could push the button. If there were an effective, timely, working ADP system, then maybe we could keep better track of what is going on and know that our veterans were being served.

So, again, sir, we know there are some good people over at DVB. We know they are concerned about veterans. We know they want to make the system work. We know they are dealing with a lot of pressures and loss of personnel and loss of training funds and salaries being absorbed and that type of thing, but I guess, again, the whale watchers need to keep better track of it, especially when it is under water.

Thank you.

[The prepared statement of Mr. Mansfield appears on p. 59.]

Mr. EVANS. Thank you, Mr. Mansfield.

Dennis?

STATEMENT OF DENNIS CULLINAN, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS

Mr. CULLINAN. Thank you very much, Mr. Chairman and members of the subcommittee, for this opportunity to present the views of the Veterans of Foreign Wars here today.

In this age of increasing demand and decreasing budgets, the VA's automated data processing system is steadily becoming a more important component of the veterans' service equation. Information garnered by us through reviews of VFW report of survey of various regional offices indicate that the quality of the current TARGET system is adequate to the task.

The problems we have found lie with the fact that there are an inadequate number of terminals available in the current system, and information is not readily exchanged between VA computer systems. Driven by the Office of Management and Budget's yearly mandates to achieve a 1 percent increase in efficiency, the VA would seem to be moving toward a paperless system. This is bringing about a situation where all the adjudicators, development clerks, veterans' benefits counselors, especially in the telephone unit, and others who work in DVB need immediate access to information.

Veterans are ill-served and the DVB employee's morale suffers when an inadequate number of terminals causes inordinate delays and mounting frustration, because there is not ready access to the VA's computerized information.

The finance services at various regional offices need more terminals so that they may expeditiously provide loan information, access rating information, locate payment records, and so forth. When the necessary information is not readily available, veterans are subjected to inordinate and often costly delays in receiving their compensation payments and loan processing.

Although the VA has an ADP system in place, it needs to increase the number of terminals available to its employees and to more readily share information between its systems so that this information may be properly utilized. As it now stands, veterans and their dependents are waiting longer to receive their entitlements due to OMB-precipitated reductions in staffing levels and the fact that there are unnecessary delays in information processing within the VA.

We have no doubt that if computer information access capability is increased, the VA's Department of Veterans' Benefits will operate more efficiently and effectively and that veterans and their dependents will be better served.

Mr. Chairman, that concludes my statement. I once again thank you for this opportunity.

[The prepared statement of Mr. Cullinan appears on p. 62.]

Mr. EVANS. Thank you, both.

I want to ask you if you believe that improvement in data processing will permit DVB to function adequately with even less personnel, particularly with the 1,100 FTEE that would be reduced in the budget.

Mr. MANSFIELD. Again, I am not an expert on computers, but I know that just putting those machines in there doesn't solve the problem. Somebody has to work with the machine. Somebody has to put information in the machine. Somebody has to get information out of the machines.

PVA's position has been in testimony we have presented over at least the last three years on the VA budget that the cuts that have already taken place in DVB have already harmed services. If you are going to go forward with installing new ADP programs, at some point in the future, the hope is that these things are going cost effective.

But as I mentioned, I think it is short-sighted to think that the day you put the machine in there, you can drag the people out. You have to get a system up and running and, perhaps more importantly, what you have to do is make sure in this transition period that the service to the veteran doesn't get lost.

Mr. CULLINAN. Mr. Chairman, we concur that there have already been too many staffing cuts. Most importantly, serving veterans is a person to person kind of exchange, or it should be. We don't see how computers can take over for the interaction between DVB benefit counselors and the veteran.

We don't want to see a situation where you have the equivalent of a banks' automated teller machines taking the place of veterans'

benefit counselors. So, no, we don't think there should be any more staff cuts.

Mr. EVANS. Mr. Stump?

Mr. STUMP. I have no questions, Mr. Chairman.

Mr. EVANS. There are no further questions. We appreciate your time today.

This completes this panel and our hearing today. This is obviously an issue that this subcommittee is going to continue to pursue as it did before I was chairman; when the subcommittee was under Chairman Montgomery's leadership. So, we urge the VA to continue to move on, and we will continue to keep a close watch on them.

Thank you very much for coming and presenting your testimony today.

The hearing is adjourned.

[Whereupon, at 10:29 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

STATEMENT OF

HONORABLE LANE EVANS, CHAIRMAN

THE HEARING WILL COME TO ORDER. THE HEARING TODAY CONCERNS THE EFFORTS OF THE DEPARTMENT OF VETERANS BENEFITS (DVB) TO MODERNIZE ITS ADP APPLICATION. IN A BROADER SENSE, HOWEVER, IT CONCERNS THE QUALITY OF SERVICE TO VETERANS.

IN THE 1970's DVB SPENT OVER $100 MILLION ON A PROJECT CALLED "TARGET" WHICH WAS GOING TO IMPROVE SERVICES TO VETERANS BY GIVING US REAL-TIME PROCESSING; BETTER CONTROLS AND QUICKER RESPONSE TO INQUIRIES. SAD TO SAY, ONLY THE INQUIRY GOAL HAS BEEN REALIZED, BUT THE DEPARTMENT OF VETERANS BENEFITS HAS SACRIFICED HUNDREDS OF POSITIONS IN FTEE TO OMB TO PAY FOR TARGET.

NOW, FOLLOWING A STUDY CONTRACTED OUT TO MC MANIS ASSOCIATES, INC. IN 1985, THE DEPARTMENT PLANS TO SPEND ANOTHER $150 MILLION FOR MODERNIZATION AND PAY FOR IT WITH ANOTHER 1100 FTEE.

WITH THE TIMELINESS OF SERVICE NOW AS BAD AS WE ARE SEEING IT, THE LOSS OF 1100 NEW MAN YEARS WOULD BE DISASTROUS. AND EVEN IF MODERNIZATION WERE TO BE SUCCESSFUL, WE HAVE SEEN NO EVIDENCE THAT COMPUTERS EVER SAVE SUBSTANTIAL MANPOWER. THEIR GREATEST CONTRIBUTION IS TO ALLOW AGENCIES TO DO A MUCH EXPANDED JOB WITH THE SAME PERSONNEL.

ADDITIONALLY, TWO REPORTS BY GAO CAST SERIOUS DOUBTS ON THE ADEQUACY OF PLANNING AND JUSTIFICATION FOR MODERNIZATION.

I AM CONVINCED THAT THE CURRENT ADP SYSTEM IN DVB IS INADEQUATE AND NEEDS FIXING. THIS HEARING TODAY WILL GIVE US SOME INSIGHT INTO WHAT VA PLANS TO DO ABOUT IT AND WHAT PROGRESS THEY ARE MAKING.

United States General Accounting Office

GAO

Testimony

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Use of Information Technology by VA's
Department of Veterans Benefits

Statement of
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Associate Director
Information Management and
Technology Division

Before the
Subcommittee on Oversight and Investigations
Committee on Veterans Affairs
House of Representatives

GAO/T-IMTEC-88-6

Mr. Chairman and Members of the Subcommittee:

We are pleased to participate in these hearings on the use of information technology by the Veterans Administration's (VA) Department of Veterans Benefits (DVB).

In August 1986, October 1987, and January 1988, we issued reports[1] with recommendations to improve VA's management of its information resources. VA agreed with our recommendations and told us that it was taking several management initiatives to respond to them. Currently, we are following up on VA's responses to our recommendations.

This morning, we would like to discuss VA's actions to improve management of its information resources and to share some observations. In particular, we will be discussing several agencywide management initiatives and how these are affecting the management of information systems within DVB. In addition, we will be discussing DVB's modernization program for its information systems and its efforts to improve its current systems in the interim.

At this juncture in our effort, we can offer some observations about VA's efforts to respond to our recommendations. Our testimony today is based on our examination of VA's annual Information Systems Plan for 1988; recently issued policies, procedures, and guidelines for information systems; completed portions of VA's revised DVB modernization program; and supporting documentation for 13 short-term interim improvement projects intended to improve current DVB information systems.

To manage a large and diverse network of service providers effectively, VA management must have well-conceived and designed information systems to give it timely, complete, and accurate cost and workload performance data. Our past work on VA's information systems has identified long-standing gaps that impair the capability of VA management to provide responsive service to

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[1]Computer Systems: VA's Target Project Never Achieved Redesign of its Processing Software (GAO/IMTEC-86-30BR, Aug. 21, 1986), ADP Systems: Department of Veterans Benefits Modernization Program (GAO/IMTEC-88-3, Oct. 30, 1987), and Information Systems: Veterans Administration Information Resources Management Is Improving (GAO/IMTEC-88-17, Jan. 27, 1988).

veterans in an efficient, cost-effective manner. These gaps include

--the lack of centralized control and oversight of VA information systems,
--the absence of goals and measurable objectives for its information system development efforts,
--incomplete analysis and definition of information requirements,
--information systems that cannot provide data to all users, and
--inadequate analysis of costs and benefits of alternatives to meet information requirements.

For fiscal year 1988, VA plans to obligate nearly $480 million on information technology including telecommunications. Of this amount, $101 million is for DVB benefit programs. Because DVB is highly dependent on information processing to deliver benefits to veterans, its information systems will affect the effectiveness of the $15.4 billion in benefits that Congress appropriated for fiscal year 1988.

VA Initiatives to Improve Information Resource Management

VA has instituted a number of revisions to its management of information resources. First, VA has established centralized control and oversight of its information resources by designating that the VA Administrator has authority for all matters relating to ADP, office automation, and telecommunications. Most of the responsibility for oversight and control for systems development has now been transferred from the departments and offices to the Associate Deputy Administrator for Management. The Associate Deputy Administrator for Management is now the senior official for information resources management at VA. Besides responsibilities as the senior official for information resources, the Associate Deputy Administrator for Management also has responsibility for program analysis and evaluation. While we endorse placing the senior information resource management official at a high level, considering the past problems and major modernization efforts underway in its information systems, VA may want to carefully monitor whether these additional duties will hamper the senior official's ability to manage information resources.

As part of its effort to centralize oversight and control, VA has established a review and approval process within the Office of the Associate Deputy Administrator for Management for all ADP initiatives over $50,000. (We have included as exhibit 1 an overview of the approval process currently used by VA.) In

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addition, VA has just instituted a quarterly progress reporting system in the office of the Associate Deputy Administrator for Management to provide regular oversight for these initiatives. In October 1987, VA established a Systems Integration Review Board, chaired by the Associate Deputy Administrator for Management and comprised of senior policy officials from VA departments and staff offices, to develop VA system integration goals, to review progress of major systems efforts, and to resolve systems integration issues raised.

Lack of integrated information systems is a problem in many federal agencies. VA recognizes that systems integration is a key element required to develop an efficient system for providing quality care and benefits. Many of VA's systems currently supporting DVB programs were developed as long as 20 years ago. Benefits from these computer systems are limited because more information is needed for servicing veterans, and program management and oversight. These systems are also unable to exchange needed information with other operational information systems. Because of the time involved in collecting and manipulating operating data from these systems, the information often arrives too late for VA employees to use to improve service to veterans. For example, information on some of the most recent payments made to veterans is usually 4 to 6 weeks old before it is available on microfilm at the regional offices. With integrated systems, current payment information could be available to all authorized users electronically.

VA's 12-Point Plan to Modernize DVB Information Systems

Within the framework of VA's recent management initiatives, DVB is following a 12-point plan to modernize its existing information systems extending from 1986 through 1994. A revised plan, developed in April 1988, responds to our recommendation[2] that VA revise its modernization program in order to provide specific goals and objectives against which program progress can be measured, and to validate that the chosen solution is optimal, based on a documented analysis that clearly lays out the costs and benefits of alternatives.

Currently, only the first two points of the plan have been completed--defining goals and objectives and identifying the constraints and assumptions for the modernization program. (We have included DVB's modernization schedule for its 12-point plan as exhibit 2.)

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[2](GAO/IMTEC-88-3, Oct. 30, 1987).

Under its earlier DVB modernization effort, the Target project, VA provided computer terminals to its regional offices to automate the claims authorization and inquiry functions but did not achieve its objective to redesign the claims-processing software.[3] Thus, it did not achieve its intended benefits--improved claims processing times, better controls over claims processing, and improved software that is more responsive to change. In contrast to that effort, VA is using an incremental, building-block approach to rebuild its information systems, where the adequacy of each phase can be assessed by management before committing resources to the total project. VA has defined measurable performance objectives for the modernization program. It is now defining the activities and supporting information required to run each of its programs, and documenting the current systems in place--both manual and automated. After these steps are completed, VA plans to evaluate alternatives, including their costs and benefits, to provide modernized information systems to support DVB programs.

Upgrades to Current Systems

Because VA is more than 3 years away, at a minimum, from beginning to implement the modernized systems, it is appropriate that system enhancements or maintenance--both hardware and software--continue on the existing systems. While the modernization effort is being conducted, it plans to pursue 13 short-term improvements to its existing information systems supporting DVB programs. Program officials said they believe these efforts will address some of the critical shortcomings of its existing information systems before the modernized systems are installed. They added that these system enhancements will provide sufficient benefits to justify their costs by replacing manual processes with automation, and providing secondary benefits of reducing benefit program costs through the availability of more timely and complete information.

For each of the 13 improvement projects, VA plans to use its newly established procedures that require that a needs analysis, requirements analysis, and cost-benefit analysis for feasible alternatives be completed for each project. When these efforts are completed, each project is to be reviewed by the Associate Deputy Administrator for Management. (Exhibit 3 is an annotated listing of the 13 projects, and describes the shortcomings of and proposed changes to existing systems.)

We have not conducted a detailed analysis of these short-term improvement projects. However, we have some observations about the

[3](GAO/IMTEC-86-30BR, Aug. 21, 1986).

13 project justifications that we reviewed. First, for each of the projects, VA has a supporting statement of needs that ties the project to one of the missions of the VA. Second, for each of the projects, VA has completed a requirements analysis that delineates the improvements in information processing that VA plans to achieve and does so at a level where improvements can be measured. Third, for six of the projects, VA has completed a cost-benefit analysis.

Although we did not review every aspect of these cost-benefit analyses, we have some observations to share. On the basis of aggregated data from the six completed cost-benefit analyses, VA expects these projects to cost $52 million and provide benefits of $211 million, a one-to-four ratio. VA has phased in both anticipated benefits and costs over a period of years in the manner that it expects them to accrue over their limited life-cycle (ending when the modernized systems are implemented). These cost-benefit analyses divide expected benefits into direct benefits by reducing personnel and secondary benefits derived from improved information handling. Total personnel reduction benefits are $83 million (from a net savings of 405 full-time equivalents) and total secondary benefits are $128 million. In the case of direct benefits achieved by reducing personnel, VA based its estimates on measured savings from prototype systems or time-in-motion studies.

VA's estimate of $128 million in secondary benefits is considerable, more than 60 percent of total benefits. Almost all of the secondary benefits were attributable to the Loan Guaranty Program Operational Improvement Project. In the cost-benefit analysis for this project, VA estimated secondary benefits of more than $30 million annually in the following areas: a decrease in property holding time, interest on properties held, and an increase in the cure rate of foreclosures (percent of total defaults that avoid foreclosure).

Summary

VA has recognized that its existing information systems do not provide sufficient information to (1) improve service to veterans, (2) improve the efficiency of its employees, and (3) reduce the costs of its benefit programs. In response, VA has undertaken several management initiatives that should help it to capitalize on advances in information technology. We believe that these initiatives form an appropriate framework for improving its information systems, including those supporting DVB programs.

VA's 12-Point Plan is a step in the right direction because it provides an appropriate framework for modernizing DVB information

systems. To date, VA has completed only 2 of the 12 points in the plan. To the extent VA successfully implements the remaining 10 points, its DVB modernization program should be successful.

In addition to the modernization effort, VA plans 13 interim, short-term projects to meet critical needs within DVB. In our opinion, VA is developing the information needed to justify these projects by conducting a needs analysis, requirements analysis, and cost-benefit analysis of alternatives for each effort. On the basis of cost-benefit analyses completed to date, VA expects to reap substantial benefits from these efforts by reducing the number of personnel to run its programs and by increasing secondary benefits derived from more timely and complete information. We caution, however, that because these interim projects do not fully address all of the critical shortcomings of VA's existing information systems, they should not be considered a substitute for the modernization program. Thus, care should be taken to ensure that the interim projects do not inappropriately drive the modernization program or its schedule. At this time, we believe in the long run, these shortcomings can best be resolved through modernized systems that integrate information.

This concludes my prepared statement. We will be happy to answer any questions you may have.

EXHIBIT 1 EXHIBIT 1

OVERVIEW OF VA INFORMATION SYSTEM APPROVAL PROCESS

Purchase value of $50,000 or less

--Approval must be obtained from the appropriate Associate Deputy Administrator and/or department head or staff office director

Purchase value greater than $50,000

--Approval must be obtained from the Associate Deputy Administrator for Management

--Initiatives with a life cycle cost of $500,000 or less require

-Requirements analysis
-Cost/benefit analysis
-Installation plan/post installation review

--Initiatives with a life cycle cost greater than $500,000 require

-Requirements analysis
-Cost/benefit analysis
-Sources of funding
-Acquisition strategy
-Waivers from agency standards
-Statement of nonavailability of excess/surplus resources
-Vendor evaluations
-Acceptance criteria
-Performance evaluation criteria

Exhibit 2

Exhibit 2

DVB MODERNIZATION SCHEDULE

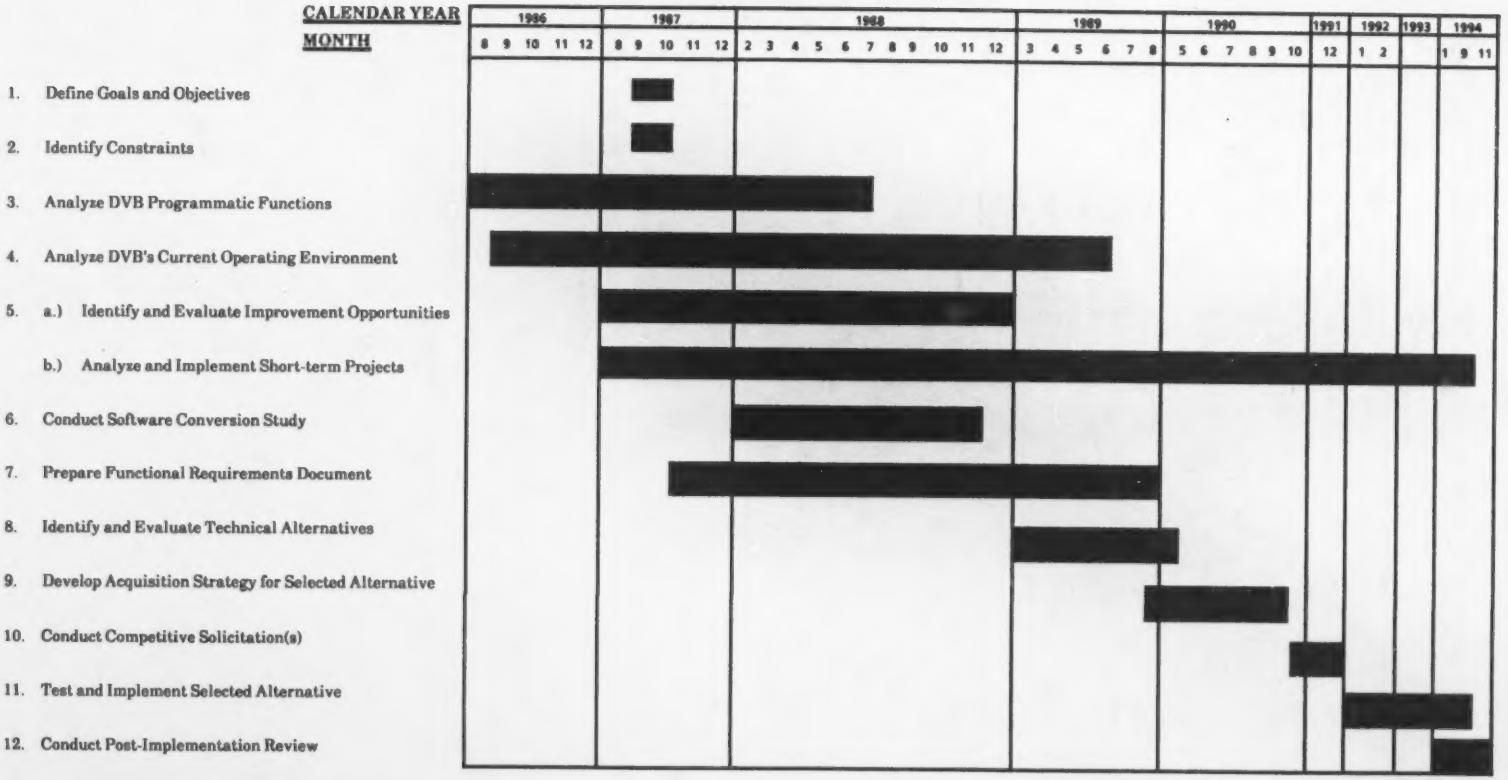

EXHIBIT 3 EXHIBIT 3

ANNOTATED LISTING OF SHORT-TERM IMPROVEMENT PROJECTS

1. Automated Payment History File -- With this project, DVB will maintain the most recent payment and returned check information in an on-line, Automated Payment History File for all Compensation, Pension, and Education payments. Currently, recurring payment information is provided on microfilm, but this information cannot be accessed until 4 to 6 weeks after payment, resulting in inefficient and untimely payment procedures.

2. Control of Veterans Records -- Currently, veterans records are handled by a manual process that is labor-intensive and time-consuming. VA proposes an automated folder control system using bar coding techniques in each of its 58 regional offices.

3. DVB/DM&S (Department of Medicine and Surgery) Data Exchange -- The purpose of this project is to improve the exchange of information between VA medical centers and VA regional offices. The existing methods for exchanging information between regional offices and medical centers are paper-bound, labor-intensive, and pose a high risk of benefits overpayment. VA's Office of the Inspector General has documented $13 million in net erroneous payments that are due, in part, to poor controls in these processes.

4. Fiduciary and Field Examination Automation Project -- The Fiduciary and Field Examination (F&FE) program oversees distribution of benefit payments to about 125,000 beneficiaries who are incompetent or minors. Many F&FE functions, such as supervising payees, reviewing benefit accounting statements, and conducting field examinations, lack adequate automated support. The purpose of this project is to examine and implement alternatives for providing automated support for a variety of activities supporting F&FE functions.

5. Acquisition of Hand-held Terminals for File Maintenance Activities -- Currently, a highly labor-intensive file maintenance process exists of selecting records, removing folders, creating and mailing punch cards, and converting data to tape. VA plans to automate this process by installing hand-held terminals in all 58 regional offices. The proposed system has been tested and has proved to be a viable alternative to current manual procedures.

6. Integrated Target/Office Automation Access for Itinerant Personnel -- The goal of this project is to provide the capability of exchanging information between regional offices and itinerant personnel in the most efficient and cost-effective manner.

EXHIBIT 3

Currently, field examiners write their reports by hand, type them, or dictate them for transcription at regional offices. Proposed capabilities call for access by itinerant personnel to common information and work processes in the regional offices, and prompt file transfer capabilities between field examiners and regional offices.

7. Integrated Target/Office Automation Access for Outbased Personnel -- Currently, sublocations of regional offices, called outbased locations, are significantly hindered by dependence on manual systems, as only 2 out of 44 sites have Target capability. The proposed system will give VA personnel at these locations access to Target, office automation, and ad hoc processing functions, significantly improving responsiveness to veterans.

8. Integrated Target/Office Automation Access for Central and Regional Office Personnel -- Currently, support operations and claimant assistance services are severely hindered by limited access to both office automation resources and benefit delivery support systems. This project proposes that award and disallowance features of the current Target system be combined with word processing features, and that single-purpose terminals be changed to multi-functional workstations in all 58 regional offices and in the central office.

9. Loan Guaranty Automated Payment File -- VA's aim through this project is to eliminate manual preparation of vouchers (SF 1166) and code sheets at the 49 affected regional offices. At an unspecified date, Treasury will not accept manually prepared vouchers; therefore, VA must automate its vouchers.

10. Centralized Accounting for Local Management (CALM) Code Sheet Elimination -- This project will eliminate manual preparation of CALM code sheets and will provide for the direct transmission of accounting transactions to the CALM system, located in Austin, Texas. Direct transmission will better utilize funds by insuring that payments are made in accord with the Prompt Payment Act of 1982.

11. Voucher Integration and Payment System -- Currently, 325,000 cards supporting finance activities are manually maintained at the 58 regional offices. Maintenance of these cards consumes approximately 150,000 staff hours per year. With the proposed system, payment/receipt of information will be kept electronically. The new system will eliminate paper records and will more efficiently use staff resources.

EXHIBIT 3 EXHIBIT 3

12. Loan Guaranty Program Operational Improvement Project -- Currently, 2,100 VA Loan Guaranty personnel are impeded by outdated batch processing systems and paper-intensive manual procedures. The proposed system focuses on three areas: 1) construction and valuation/loan processing; 2) code sheet elimination; and 3) property management. Furthermore, the system calls for the installation of an on-line, data base production system. VA anticipates major savings by decreasing property holding time and operating expenses, as well as the interest on properties held, and by increasing the cure rate of foreclosures (percent of total defaults that avoid foreclosure).

13. Target Terminal Purchase -- Currently, because of a lack of Target terminals in the regional offices, many VA personnel must use manual processes. The goal of this project is to provide regional offices with an increased number of terminals that will provide adequate access to the original Target system plus all functions added to Target since 1979.

STATEMENT OF DAVID A. COX

ASSOCIATE DEPUTY ADMINISTRATOR FOR MANAGEMENT

VETERANS ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

HOUSE COMMITTEE ON VETERANS AFFAIRS

JULY 28, 1988

Mr. Chairman and Members of the Committee, I am pleased to appear today on behalf of the Veterans Administration in response to the request of Mr. Evans.

INFORMATION RESOURCES MANAGEMENT

Achievements

During the last two years, the VA has made great progress in overcoming the Information Resource Management problems that have faced any organization undertaking major modernization initiatives.

Within the last two years, the Agency has:

- implemented Agency-wide ADP planning,
- reorganized and strengthened the Department of Veterans Benefits' (DVB) modernization plan,
- established a senior-level Systems Integration Review Board (SIRB), where DVB is represented,
- improved the procurement plans for the VA-wide Integrated Data Communications Utility (IDCU), the communications system that DVB will use for its modernization efforts,
- had its ADP procurement authority restored by GSA, and
- been selected as a lead agency in a new GSA program which delegates unprecedented ADP authority to civilian agencies.

Management Goal

These achievements have been realized as part of the VA management goal to integrate technological advances and innovative management techniques into an efficient system for providing quality care and benefits to veterans and their dependents. The top priorities for the Agency are new computer applications that can improve the quality of service to the veteran, increase the

productivity of VA personnel, and reduce the cost of providing essential services to veterans. To meet these priorities, the VA has installed computer systems in the field stations, including DVB regional offices, where they can directly improve the daily delivery of service to veterans.

Management Policies

The Agency recognizes the need for Departments, including DVB, to have more immediate control over the operating and managerial information necessary to improve service delivery to veterans while, at the same time, provide the Administrator with the management and control systems necessary to meet his oversight and leadership responsibilities.

In direct support of departmental programs, the Agency has developed management policies that ensure the most effective use of automated information resources. The VA ADP management policies are:

- To delegate authority and responsibility to the Departments for the management of operational ADP systems that directly affect the delivery of service to veterans.
- To provide centralized direction from the Administrator's office for the Agency's management and financial control systems.
- To integrate departmental operational systems with centrally directed management and financial control systems so that all users can access common data for effective management.
- To determine the effectiveness of existing and proposed systems to meet program needs in the most cost efficient manner through a formal planning and evaluation process.

In implementing a nationwide system of benefits and services for veterans and dependents, the VA places the highest importance on the proper application of automated information resources. The Agency has focused increased attention on the information system planning process in order to achieve productivity gains and management improvements through enhanced access to high quality information. The VA now requires that all resources for ADP systems must be planned and accounted for in the Agency's Information Systems Plan.

INFORMATION SYSTEMS PLANNING AND DVB MODERNIZATION

In FY 1986, the VA instituted a formal planning and evaluation process for information systems. Now, the VA has a single, Agency-wide Information Systems Plan, covering the automation plans in all Departments and staff offices. These individual information system plans are reviewed and analyzed by the new Office of Information Systems Planning, Policy and Acquisition Control (OSPPAC) which integrates these plans into the Agency-wide document. This improved central policy and control process has been recognized by the General Accounting Office in a recent report to the Congress on the VA's management of information resources.

The Information Systems Plan is the primary document used for planning, budgeting, and implementing major automation goals, including the modernization of DVB's benefits delivery network. Through improved long range planning and central review of acquisitions of information resources, OSPPAC can monitor and encourage the interconnectivity and integration efforts of DVB with the other Departments and staff offices. In addition, OSPPAC participated in a jointly staffed task force that revised DVB's Modernization Plan into its current format.

Improvements in DVB Modernization Plans

DVB is undertaking a major initiative to revise its benefits delivery system. This initiative is called DVB Modernization, and it now has two major parts: a short-term strategy for quick improvements in benefit operations and a long-term approach to review and revise basic delivery ADP processes. Both approaches were developed and refined during the information system planning process in FY 1988. The primary reasons for modernizing DVB systems applications are to improve the operations of benefit award, benefit accounting, benefit payment and communication concerning the benefit process (e.g., letters), and to provide better management, workload and administrative information. The project will involve the design and implementation of a large, integrated terminal network of approximately 10,000 terminals located in every state, Puerto Rico and the Philippines that will provide extensive end-user computing capability in direct support of DVB's mission critical functions.

There now exists a Twelve Point Plan which outlines the strategy for DVB Modernization. The overall modernization plan consists of twelve tasks divided into two phases. In the first phase, scheduled for completion by the end of FY 1989, DVB will analyze and document functional requirements and examine alternative solutions for meeting these requirements. In addition, Phase I provides DVB with a means of identifying and pursuing short-term initiatives where an adequate return on investment can be realized in a short timeframe. Short-term initiatives include automation of functions not currently automated and reexamination of what is automated for ways to improve efficiency and effectiveness, both in the delivery of benefits and in the management of resources. In Phase II of the modernization effort, DVB will complete tasks necessary to implement the alternative selected in Phase I.

Short-Term Initiatives

In implementing this Twelve Point Plan, DVB has also developed a total of seven cost benefit analyses (CBAs), studying short-term initiatives to improve benefits delivery operations. As a package, these CBAs have been submitted to the Office of Management and Budget (OMB) for approval. These short-term initiatives are:

- o CALM Code Sheet Elimination, a project to end duplicate manual and teletype data entry into the VA's Centralized Accounting for Local Management (CALM) system;
- o Automated Loan Guaranty Payment File, a project to control Loan Guaranty field payments;
- o Loan Guaranty Program Operational Improvement Project, a project to automate three of the four major loan operations;
- o Fiduciary and Field Examination, a project to replace a card-based reporting system with new technology for data transfer;
- o Automated Payment History File, a project to provide inquiry access for monthly payments and returned-check information;
- o Voucher Integration and Payment System (VIPS), a project to automate the manual processing of vouchers and payments; and
- o Hand-Held Terminals, a project to improved case file maintenance using hand held computer terminals.

All of the CBAs indicated a positive benefit-to-cost ratio with rapid payback to the VA. Approval from OMB is pending on the first seven CBAs before implementation can begin.

By the end of FY 1988, DVB also plans to complete six more CBAs. Four studies are scheduled to be completed in July 1988. These four CBAs deal with Control of Veterans Records, Integrated Target/Office Automation (OA) Access for Itinerant Personnel, Integrated Target/OA Access for Regional Offices and Central Office, and Integrated Target/OA Access for Outbased Personnel. The last two CBAs will be completed by September 15, 1988; they will analyze DVB/DM&S Data Exchange and Target Terminals, respectively. In all, there is a total of thirteen short-term initiatives.

One significant short-term improvement has already been completed. DVB has installed a WANG office automation system to provide electronic mail, file, and calendar capabilities between and among regional offices and the VA Central Office.

Model Regional Office (RO) Project

In order to implement these Short-Term Initiatives, DVB has recently established the "Model Regional Office Project." The Model Regional Office Project will provide DVB with a "test bed approach" for starting the alreadyidentified Short-Term Initiatives as well as other improvements for DVB operations. This project will provide increased functionality with the current hardware and software configuration in the ROs. These mid-range improvements in benefit operations will be "alpha" tested at the Philadelphia RO where programming support staff will be available. Among other things, the alpha tests will develop capacity load data for supporting various improved applications in the existing computing environment. These improvements will then be migrated to the Cleveland RO for "beta" testing. The Washington RO will be one of the first offices to receive these enhanced systems.

Summary of Status of DVB Modernization

Within the last year, DVB has completed a comprehensive study of regional office operations, and begun several major initiatives critical to modernization. These efforts include:

- o A prototype test of optical disk storage as a means to improve records management for claims processing, and;
- o A comprehensive study of the Benefits Delivery System to identify and evaluate alternatives for improved system reliability and availability.

Upon completion of the current modernization tasks, the Benefits Delivery System will provide a complete range of integrated functions to regional office personnel that will further improve service to veterans. Already, however, DVB is taking advantage of its current ADP capabilities to implement on-line processing.

CURRENT ON-LINE DATA PROCESSING

Beneficiary Identification and Records Locator System (BIRLS)

BIRLS provides VA-wide rapid access to identifying information on veterans and beneficiaries from the time of their first claim for VA benefits. BIRLS provides on-line inquiry and update capability on veterans and beneficiary needs, maintains military service information to aid in determining eligibility for benefits, disability information, physical location of paper records, and other pertinent information to facilitate identification of the veteran or beneficiary and benefits received. The system also controls the assignment of file or claim numbers; selects file folders for retirement; manages the transfer of file folders; processes notices of deaths (NOD) of veterans and beneficiaries and assigns the NOD's to appropriate Regional Offices; and exchanges data with other automated VA systems (e.g., Insurance and Compensation, Pension and Education).

A major redesign of the BIRLS system was completed in FY 1987. The redesign fully integrated BIRLS into the Benefits Delivery Network and converted the files into a data base management system. Moreover, the redesign effort improved the numerous performance-related deficiencies and inadequacies with the old system as well as expanded the data base to include additional fields to define more accurately a veteran's record.

Insurance Programs

DVB is converting its Insurance programs from batch to on-line processing. DVB plans to have on-line processing of these systems operational by January 1989.

Future improvements in DVB on-line processing depend to a large degree on integrating systems already in-place or those that are planned.

SYSTEMS INTEGRATION -- A KEY TO IMPROVED SERVICE

As information processing technology has become more economical, the VA has evolved from relying solely on large central computers to decentralizing processing power to the field in order to improve local operations at the point of contact with the veteran. At the present time, the VA employs a full range of computing support that includes large, mid-range and end user operated systems. Each of the Data Processing Centers has large mainframe computers that operate central administrative and mission support applications serving the entire VA. Departments and Offices are operating mid-range computers for mission support applications serving users at a single location. End users at VA facilities employ workstations and personal computers to access and manipulate data critical to providing quality service to veterans and to program management.

An example of end user computing is DVB's office automation program. Over the last year there has been a substantial growth in the number of DVB office systems linked using the wide area network. The Department of Veterans Benefits has installed 70 WANG VS systems in the OA network. DVB is an example of a VA organization that has centrally planned and designed a network of office automation systems to support staff in the VA Central Office and field stations. The implementation of their office automation program has led to more timely processing of information, increased communication capability, and enhanced efficiency in carrying out objectives.

Telecommunications Integration

The VA now utilizes four major communications systems: the Benefits Delivery Network, connecting DVB regional offices and DPCs; the VA's nationwide data communication network (VADATS), which is a modern private communications network that links the medical centers and DPCs and supports multiple communications protocols; the COMTEN Network interconnecting the Austin, Philadelphia and Hines DPCs and the Central Office Data Center; and public data networks. The VA will implement the Integrated Data Communications Utility (IDCU) to provide connectivity between all departmental systems and serve as the vehicle to allow the VA to build totally integrated systems. The Central Office, the regional offices, the medical centers, the cemeteries and the data processing centers will all be connected to IDCU as the medium for exchanging information. Users at almost any terminal will

be able to access information in VA corporate wide data bases running at the Austin DPC. In the future, as the VA systems are fully integrated, it will become easier for users to access information located on any VA data processing system.

Examples of DVB Data Exchange Through System Integration

The VA is pursuing a dual track, which includes both short and long-term initiatives, to attain its objective of having the systems integration framework in place. The VA already has several short-term projects underway to expand the exchange of DVB data between departmental computer systems, thereby moving closer to full integration of systems. For example:

o The DVB - DM&S data exchange project will automate the exchange of data between Regional Offices and Medical Centers regarding the examination and/or hospital confinement of veterans with service-connected disabilities. This project will provide the Department of Medicine and Surgery with administrative and patient validation data and will provide the Department of Veterans Benefits with medical diagnostic and administrative data for adjusting a veterans compensation.

o Initiatives are underway that will be profitable to both DVB and the Office of Budget and Finance (OB&F). The initiatives are local access to CAROLS/CAIM History and the Payment History File. In each case, data from DVB systems would be shared between DVB and the OB&F to provide more prompt payment of bills or more prompt answers to questions about problems with the payment of benefits.

o Veterans Administration medical centers are required to determine a veteran's eligibility for treatment before providing medical care. Information in the BIRLS data base and the Compensation and Pension data base maintained by DVB assist hospital staff in determining veterans' eligibility.

o The Army Personnel Records Center and National Archives Records Center, both in St. Louis, require access to BIRLS data to recreate military records that have been lost, destroyed or are otherwise not available. Using an IBM compatible PC, they can connect to the Austin DPC, access the

BIRLS data base and recreate the lost information. The Austin ADP security system limits these external users from accessing anything other than BIRLS data.

o The Department of Memorial Affairs (DMA) must determine eligibility before a veteran can be buried in a national cemetery. A PC based system similar to that used for the Army Personnel Records Center and National Archives Records Center has been implemented for DMA. Currently, 20 cemeteries are operational with this capability, with the remaining cemeteries scheduled for access. The inquiry capability will be expanded to include access to DVB's Compensation and Pension data.

Current VA Actions for Systems Integration

The VA has undertaken a number of continuing activities to provide an environment for the full integration of VA ADP systems. These activities will enable us to meet the difficult challenge of obtaining full integration of systems in the VA. The major integration activities in the VA are as follows:

- o Systems Integration Review Board -- This Board was created by the Administrator in FY 1987 to develop VA system integration goals, to review progress of major systems efforts and to resolve systems integration issues raised by the responsible Department, Staff Office, or Special Interest User Group. DVB is represented on the SIRB.
- o Special Interest Users Groups -- A number of these groups have been created to address information systems-related issues which cross organizational lines. Presently, three groups have been formed to address systems interconnectivity and interoperability, cost accounting, and data management and data administration. DVB serves on the SIUG for systems interconnectivity.
- o Annual Information Systems Plan -- The VA publishes annually an Agency-wide Information Systems Plan which incorporates all systems activities in the VA. The annual planning process ensures that organizations apply resources in areas that support the VA's systems integration framework.
- o VA Data Transmission System -- The current data communications system interconnects ADP systems in the VA and provides the foundation for systems integration. It will continue to expand and provide needed services until it is replaced by the Integrated Data Communications Utility.

- o Data Administration Program -- The Data Administration policy was signed by the Administrator in July 1987 and sets the scope to include planning, data sharing, data definition, naming conventions, data standardization and accessibility. This program will reduce unnecessary data redundancy, define an inventory of VA data, protect the integrity of data, simplify the process of locating essential information, and establish an agency data plan.
- o Government and Industry Standards -- The VA currently supports all Government ADP standards and is placing emphasis on standards to facilitate interconnectivity, vendor independence, software portability and to minimize cost.

Future Plans for System Integration

The VA is using a five component framework to fully integrate VA ADP Systems. Communications networks, protocol converters, and standards provide a firm foundation. Data planning, data administration, and data standards will improve data consistency and make it easier for diverse applications to use the same data. Three categories of hardware and software will provide the actual ADP processing power: (1) Workstations, PC's and end user support will help users meet operational needs; (2) Departmental and facility computer centers using minicomputers will support multiple users at one location or meet a specialized requirement and; (3) Agency data processing centers using mainframe processors will serve users at multiple locations in support of Agency-wide requirements.

By integrating the ADP systems within the VA, information will be easily accessible to all VA users. Individual VA users who previously had access to only one system will be able to utilize the information from many systems and thereby improve service to the veteran. As systems are fully integrated, the costs of serving the veteran will continue to decrease through elimination of data redundancy and duplication of data entry efforts. Moreover, the easy access of information will improve program management and reporting to external organizations.

SUMMARY

The VA as a whole, and DVB in particular, have made significant progress toward the goal of integrating technological advances and innovative management techniques into an efficient system for providing quality care and benefits to veterans and their dependents. The DVB Modernization Plan has been revised and strengthened and new efforts are underway to achieve rapid progress in improving DVB operations through automation. All future activities will be consistent with the VA management goals, policies, and plans to achieve improved service delivery to veterans.

Statement of
R. J. Vogel
Chief Benefits Director
Department of Veterans Benefits
Veterans Administration
Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
House of Representatives
July 28, 1988

Mr. Chairman and members of the Subcommittee:

I am pleased to have this opportunity to tell you of the progress the Department of Veterans Benefits is making in improving automation in the Department, especially in the areas of on-line processing and exchange of data.

Mr. Chairman, present management in the Veterans Administration and in the Department of Veterans Benefits proudly continue the historic commitment of the Veterans Administration to provide quality service to America's veterans and their families with dignity, compassion and efficiency. The Department of Veterans Benefits led the Agency in introducing data processing as a means of improving service delivery. We introduced data processing into the delivery of compensation, pension and insurance benefits in 1960, vocational rehabilitation and counseling in 1962 and education programs in 1966. We initiated the Beneficiary Identification and Records Locator System (BIRLS) in 1968 and the current compensation, pension and education (CP&E) system, called Target, in 1978. These systems have served well both the nation's veterans and the Agency, consistently delivering about 16 billion dollars in annual benefits.

Despite our successful history of use of automation in the quest for efficient delivery of benefits to veterans, the Department still has a number of manual activities which are prime candidates for automation. To continue the tradition of quality service efficiently provided, the Agency has made a commitment to modernize the Department's information systems. Although the design of the CP&E system was state-of-the-art, major advances in computing, storage and telecommunications technology coupled with significant increases in demands from the program have resulted in the need for a shift in the system's technological base. This shift is required to provide advances in the very areas of your stated interest, namely on-line processing and data exchange.

Mr. Chairman, I am happy to report that we are making significant, if not spectacular, progress in modernizing information systems in the Department of Veterans Benefits. We have put in place within the department a data processing organization that is working diligently at integrating data processing activities with program support activities. Our current departmental goals and objectives are a testimony to those efforts, since they contain integrated program support and data processing support goals and objectives. We have an experienced, competent staff of data processing professionals who are rigorously attacking the problems of modernizing our information systems while keeping the current systems operating as efficiently as possible.

The Office of the Deputy Chief Benefits Director for ADP Systems Management has formed a conceptual approach to addressing information systems modernization. This conceptual approach is consistent with Agency and departmental goals and objectives. The underlying principle for all information systems improvements will be that any improvement will be evaluated on the basis of whether it provides to the employees

of the Agency a means of making available more efficient service to veterans and their families.

The conceptual approach of the Office of the Deputy Chief Benefits Director for ADP Systems Management is represented by a model whose hallmark is flexibility. This model focuses on maintaining the existing systems to prevent a reduction in service while staging them for migration to the ultimate solution. In keeping with this view of the modernization process, as well as with current budget constraints, we have adopted a phased approach to modernization which can be characterized as "opportunistic". We do not believe in the big bang theory of modernization, i. e., one large acquisition at some "magic" date. Rather, we believe that a phased approach, with several interim acquisitions, and significant program improvements, will deliver a better system over a given period of time.

An important part of the phased concept is the model regional office which will provide a testing ground for systems initiatives. It will provide a staging area for testing the efficacy of applications developed in local regional offices, a means by which to support the short term systems improvement initiatives which the Department identifies and it will provide a base on which technical alternatives can be evaluated.

The Philadelphia and Cleveland regional offices have been designated the "alpha" and "beta" regional office sites. Projects will initially be installed in Philadelphia, where workload statistics will be gathered and documentation and procedures will be refined. Once testing is successfully completed in the alpha site, applications will be forwarded to the beta site. The beta site will test applications in a regional office environment without excessive professional ADP support. Applications that are successful at the beta site will be considered for nationwide exportation based on cost

benefit analysis. Decisions on nationwide exportation will rest with DVB Central Office management. Every application scheduled for nationwide implementation will be installed at the Washington regional office, which will serve as the primary exportation site. The model regional office will provide us with an opportunity to study ADP technology alternatives allowing us to experiment with multiple processing environments and to select optimum strategies for our program.

Mr. Chairman, we have some solid accomplishments in our movement toward the implementation of the systems model and the objectives it supports. These accomplishments may be categorized as those (1) staging existing systems for migration to the conceptual model, (2) supporting data exchange and (3) relating to on-line systems improvements.

(1) Staging existing systems for migration to the future model is exemplified by current activities in our veterans insurance system. The Department's insurance system provides 28 billion dollars in coverage to 3.6 million policyholders. The program code is being restructured to allow the Department to replace outdated and unmaintainable hardware and software. The project underway will result in 263,000 lines of converted code. At the present time, about 65% of that code has been converted, with about 32% having been installed. The remainder of the converted code is in the pre-installation review process. This project will allow the Department to continue to provide service to its policyholders and set the stage for incorporation of the insurance programs into the final systems model.

To assure continuity of operations throughout the modernization process, additional processors, controllers and disk drives were installed at the Hines Data Processing Center in early 1987. This hardware augmentation improved regional office processing by alleviating severe capacity shortages and

balancing data processing workloads. Benefits delivery processing was also enhanced through an exchange of the Target equipment at the regional offices. This equipment exchange was accomplished under the terms of the existing Target terminal system maintenance contract, allowing us to continue our current levels of service while preparing for the systems acquisitions necessary to implement the department's long term solution.

(2) We have a number of examples of successful data exchange within the Department, the Agency and outside the Agency. In July 1987, BIRLS redesign was installed nationwide. The redesigned BIRLS application utilizes a modern data base management system and is integrated into the Agency's telecommunications network. This activity provided systems improvements to regional office workers while expanding data sharing capabilities at inter- and intra-Agency levels.

In the fall of 1987 prototype software was installed which allows users secured access to data in BIRLS. The initial installation included ten Department of Memorial Affairs sites, the National Personnel Records Center and the Army Reserve Component Center. Recently the software was installed at two additional cemeteries with 23 more scheduled for installation during FY 88.

The Hospital Inquiry (HINQ) function, installed in 1986, allows VA hospitals and medical centers to access veteran information from the compensation and pension master records in Hines and the BIRLS records in Austin. Using the HINQ command, an inquiry transaction is sent from DM&S over the VA Data Transmission System (VADATS) to the Benefits Delivery System. These inquiries are processed by the Benefits Delivery System, and the veteran information is returned via VADATS to the inquiring medical facility. Based on a survey of use of this function the VA has determined that access to additional data

will further reduce hard copy information requests by 60 % producing a concomitant increase in timeliness. Based on this analysis the HINQ function is scheduled for expansion by the end of this year.

A second aspect of enhanced data exchange between DM&S and DVB pertains to information on hospital admissions and discharges. Electronic notification to DVB would facilitate award adjustments and provide the opportunity to minimize erroneous payments. Initial analysis indicates that significant additional DVB computing power will be required to implement the on-line transfer and subsequent processing of this data. Further analysis is underway to explore ways to implement this function in a more cost effective manner within the framework of the DVB conceptual model.

In April, 1988 a program was installed which exemplifies data sharing between components of the Department's systems to provide efficient service to the Nation's veterans and their families. It allows the automatic transfer of data to the Centralized Accounts Receivable System from the CP&E system in cases of a reported beneficiary's death in which there is an outstanding account receivable.

During the past few months we have satisfied a number of requests for inquiry access to the CP&E system by organizations outside the Department including some outside the Agency. Thus far, access has been provided to the VA Office of Congressional Affairs, the Civilian Health and Medical Program of the VA (CHAMPVA) in Denver, the VA Office of Environmental Epidemiology, and two Office of the Inspector General (OIG) Field Offices: Chicago and Washington. We are currently processing requests for access by all of the remaining field offices of the OIG.

In a joint effort with the uniformed services to reduce retired pay offset errors we have recently installed access capability at the Denver and Cleveland regional offices for the Air Force Finance Center and the Navy Finance Center respectively. In the process are similar arrangements for the Marine Corps, the Army and the Coast Guard Finance Centers. Once these arrangements are in place the DoD pay centers will be able to query VA files which will increase timeliness and reduce errors in the offset process.

Access to the CP&E system is presently provided through the regional office which is nearest to the requesting office and has the available system capacity. The method of access may be through a dedicated line, dial-up modem or the VADATS network. This method has limited capacity. As the value of the data available in the CP&E network is recognized by non-DVB offices and agencies, we expect the number of requests for access to grow substantially. We are not presently able to accommodate much growth but we have studies underway to estimate and analyze the impact and to provide a strategy to accommodate it as appropriate.

The Department has also implemented a high degree of data sharing in the area of debt management. We have data sharing projects with the Internal Revenue Service and the Office of Personnel Management in the Federal sector and with private collection agencies and credit reporting agencies in the public sector.

(3) A recent example in the area of real time improvements is the system that supports the Montgomery GI Bill--Active Duty Educational Assistance Program, or Chapter 30.

Chapter 30 was installed on the Benefits Delivery Network on April 25, 1988 and represents a significant advance in debt management. The system performs on-line, real-time updates to

master records. That is, a record is updated immediately after an authorizing action is taken. This eliminates the delay characteristic of systems that depend on batch update cycles. DVB's Vocational Rehabilitation and Education Service is testing a procedural requirement for individual certification before each monthly payment. The requirement is incorporated directly into the logic of the Chapter 30 system to prevent any recurring payment from being issued before the veteran has certified attendance for the payment period. The St. Louis regional office reports that this automatic link has already greatly reduced the incidence of overpayments and accounts receivable, in comparison with older education programs. In addition to these accomplishments, we are focusing on several other areas of improvement which we are pleased to bring to your attention.

The new Loan Production system eliminates Loan Guaranty code sheets, and automates Construction & Valuation and Loan Processing activities. Code Sheet Elimination is currently operating at three prototype sites (Cleveland, St. Petersburg and Washington), as well as the Houston Regional Office. Construction & Valuation was installed in Cleveland the week of July 11. It will undergo a three month "shakedown" period in Cleveland, after which an enhanced version of the system will be installed at all three prototype stations. Programming of the Loan Processing portion of the project has begun and is expected to be completed in late 1988 with the prototype installed at all three sites in spring of 1989.

A prototype aimed at managing claims folder data and work in progress through the use of optical disk technology was recently installed in the St. Louis regional office. In conjunction with the initiation of Chapter 30 processing, incoming paper documents are now scanned, indexed and stored on optical disk. Claims work is prioritized, monitored and assigned by a supervisor using specialized software which

interfaces with the storage system. Individual claims personnel, using a single terminal with split screen functions, can receive their work assignments, view claims material, use claims processing screens from the CP&E system and prepare letters associated with the claim using word processing functions. The prototype exhibits significant potential for improving work flow and work management. A rigorous evaluation is underway to determine its potential as a part of the long term solution to the modernization of DVB's information systems.

The Department has identified a number of short term improvement initiatives focused on a range of work processes from file management to integrated systems access for outbased personnel. Cost benefit analyses have been completed or are near completion for all of those initiatives identified, and many are currently under review prior to implementation.

Many of the short term improvement initiatives depend upon available capacity in the Department's office automation system. To support both the office automation network and the applicable short term improvement initiatives, DVB needs to upgrade its Wang minicomputers. The proposed upgrade encompasses DVB's 58 Regional Offices (VAROs) including the Manila RO, the St. Louis Records Processing Center, DVB's operations located at the three VA Data Processing Centers, the model regional office and DVB operations within the Veterans Administration Central Office. This nationwide OA upgrade will replace a system configuration, which is saturated and cannot continue to support existing applications, with a configuration sized to meet known near-term requirements. It will provide DVB with the opportunity to improve services to veterans by increasing the efficiency of VARO operations and to maintain momentum for DVB's system modernization initiatives. Combining all Wang system requirements into a single purchase allows DVB to take advantage of a 50% discount on Central Processing Unit prices available through December 1988 on the agency OA contract.

In summary, Mr. Chairman, we are pleased to report that we have made real progress, are taking advantage of technology advances wherever possible, and continue to effect significant accomplishments, many in the areas in which you have stated an interest. We have an integrated approach, based on a conceptual systems model, to modernizing our information systems in the Department. We have identified and are continuing to identify areas of additional improvement within the framework of our conceptual model. We are convinced that implementation of this approach will result in benefits to personnel in the regional offices who process claims, to management in the Department and most of all to the nation's veterans and their families. Thank you again for the opportunity to appear before you this morning.

STATEMENT OF
GORDON H. MANSFIELD
ASSOCIATE EXECUTIVE DIRECTOR FOR GOVERNMENT RELATIONS
PARALYZED VETERANS OF AMERICA
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATION
OF THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
CONCERNING
AUTOMATED DATA PROCESSING
WITHIN THE DEPARTMENT OF VETERANS' BENEFITS
JULY 28, 1988

Mr. Chairman and members of the Subcommittee, it is a pleasure for me to be here today. On behalf of the Paralyzed Veterans of America, I wish to thank you for conducting this important oversight hearing regarding automated data processing (ADP) as it pertains to the modernization of the Department of Veterans' Benefits (DVB).

DVB's need to modernize in order to improve services to veterans while reducing costs is unparalleled in recent history. Although much time and effort has been invested in determining the ADP needs of the Department of Veterans' Benefits, we are just beginning to see unified, comprehensive plans which address the overall modernization effort. In keeping with the mission of DVB, such strategies to improve ADP technology must be designed with a single purpose in mind: to provide benefits and services to veterans and their families in an effective, timely, and compassionate manner. This must be the primary principle to guide all decisions regarding automated technology within the Veterans Administration and DVB.

The technological planning process employed by DVB over the course of the last eight years has been one besieged by Office of Management and Budget (OMB) restraints, changing leadership and philosophies, and piecemeal attempts to apply "band-aid" solutions to complex and serious problems.

In the discussion of current ADP modernization within the Department of Veterans' Benefits, one must consider the evolution of the Agency's approach to automated technology in the 1980's. Although ADP technology goes back twenty years, the VA's pursuit of comprehensive modernization represents a relatively new concept. Up until the last several years, various attempts to use automated technology were decentralized and, with the exception of the Target System, met with limited success. In the mid-1980's, the VA recognized that the Agency was not keeping pace with advancing ADP technology and took steps to begin reviewing the long term ADP needs of the VA. With the change of administration in 1986, the Agency continued to pursue the improvement of automated technology but radically changed direction toward accomplishing these goals. The Associate Deputy Administrator for Management (ADA/M) assumed the overall responsibility for the Agency-wide Information Resources Management program. The ADA/M reviews the goals and operational plans submitted each year by DVB and other staff offices and departments.

Intra-agency clashes involving program responsibilities and philosophical differences permeated the early efforts of the new administration. Major shifts in responsibility and high level personnel changes resulted in less than expeditious attempts to resolve many of the Agency's more pressing ADP shortcomings. Questionable contract services resulting in expensive but relatively unproductive reports also diminished the overall effort. In-house development projects were often not justified on the basis of required cost and benefit analyses. As recent as January 1988, the General Accounting Office reported that, although progress was being made, the overall ADP strategy still contained numerous deficiencies. For example, the GAO report stated that "the agency has made little progress in eliminating duplicate data and meeting other agency data sharing needs." This leads us to one of the most glaring inadequacies in VA automated technology which directly affects the mission of the Department of Veterans' Benefits.

Although properly considered a top priority by DVB management, the Department of Medicine and Surgery (DM&S) and DVB are severely lacking in their ability to share data. Although DM&S has access to DVB's aging Target System, DVB has no automated access to medical center data needed to process claims. System development will not proceed until realistic funding is provided and DM&S gets serious about developing their half of the equation. At present, PVA is concerned that there is a lack of commitment on the part of DM&S to prioritize this data exchange which is so essential to the mission of DVB. The development of DHCP has monopolized DM&S ADP efforts. It is critical that top level commitment by the Administrator and the ADA/M be directed toward the Integrated Data Communications Utility (IDCU) to allow the VA to build totally integrated systems. Until this is accomplished, there will be no staff time savings and DVB access to DM&S information will continue to be accomplished manually. Data exchange between the two departments will be technically challenging. Until this piece of the modernization puzzle is in place, however, a solid foundation for DVB's future excellence as an organization is impossible. The ultimate loser, of course, is the veteran who must tolerate unacceptable delays in benefit delivery.

In addition to DVB/DM&S data exchange, all services within DVB have their own special needs for modernization. Oversight hearings this Spring and Summer have closely examined and exposed serious ADP short-comings within the Department. In written testimony before the Subcommittee on Education, Training, and Employment, Dr. Dennis R. Wyant, Director, Vocational Rehabilitation and Education Services, stated that the current Chapter 31 payment system is "extremely limited in its capabilities, requiring manual processing which results in delayed services and creation of debt through overpayments." This assessment can be applied to all other DVB services as well. Loan Guaranty Service, Compensation and Pension Service, and Veterans Assistance Service are all at the mercy of an ADP system severely lacking in sophistication and development.

It is important to note that DVB, as a Department, has made measurable progress toward ADP improvement in spite of Agency and OMB influence. Major short term programs and innovative, legitimate, high priority and high profile programs are in place and, in some cases, ready to go. Model station programs have been established as testing bases and are operating successfully. Office Automation (OA) appears to be a major success and represents high technology at its best.

DVB employees have invested literally thousands of dedicated man-hours to automated technology. Immense staff efforts have gone into the ADP program. Although the Agency has demonstrated inconsistency in its approach to overall automated technology and, at times, less than full and unified commitment, the VA stands at a critical point in the modern evolution of its ADP advancement.

Examples of programs in place and ready to go include:

- Model station programs which are testing numberous ADP innovations
- Target service for field examiners, remote offices, lap top computers
- More terminals
- Wang/Honeywell interface

This leads us to the major obstacle which will prevent the VA, and specifically DVB, from meeting its ADP needs. The Administration's proposed budget for Fiscal Year 1989 originally represented one of the most short sighted and potentially disastrous fiscal decisions that the Office of Management and Budget has ever proposed in terms of the Department's ADP needs. It was irresponsible and utterly lacking in logic. Quite simply, the Administration proposed the following scenario for FY 89:

1. Reduce personnel in the Department of Veterans' Benefits by almost 500 FTEE.
2. Provide no increase in funds for ADP technology in DVB.

Fortunately Congress has, once again, rejected staff reductions in DVB by retaining the currently authorized FTEE level. Without additional ADP funds however, DVB will be forced to terminate its model station programs, and be forced to suspend other short and long term ADP programs. Although OMB had originally endorsed such ADP programs, they did not provide the funds necessary for DVB to implement these activities. Now we are being asked to accept one of the most preposterous assessments ever proposed by OMB: the

Department of Veterans' Benefits can deliver benefits in an effective and timely manner with fewer FTEE because of increased productivity due to modernization!

Mr. Chairman, this is an insult not only to veterans, but to the employees of DVB. DVB management must request supplemental appropriations immediately and the Administrator and ADA/M must convey, in no uncertain terms, to the Office of Management and Budget that without such funds, DVB will be unable to fulfill the mission mandated by Congress. We are convinced that DVB management recognizes the potential consequences of OMB's fiscal nonsense. DVB must not be told to "wait until next year" to implement critical ADP programs. If OMB prevails, the Department of Veterans' Benefits will continue to lose essential FTEE whether or not the modernization effort is successful. Ultimately, once again, the disabled veteran; the widow receiving pension; the student waiting for his Montgomery GI Bill benefit check; will all be held hostage to the irresponsible actions of OMB. The rationalization that DVB "can do more with less" because of modernization, simply can not be applied to the current DVB environment.

Mr. Chairman, PVA is grateful that you have scheduled this hearing to examine and evaluate the DVB modernization effort. The future viability of the Department is dependent on the success of this critical endeavor. That concludes my statement. I'll be glad to answer any questions you may have.

STATEMENT OF

DENNIS M. CULLINAN, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

DEPARTMENT OF VETERANS BENEFITS
AUTOMATED DATA PROCESSING MODERNIZATION

WASHINGTON, D. C. JULY 28, 1988

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for this opportunity to present the views of the Veterans of Foreign Wars of the United States on the Department of Veterans Benefits (DVB) Automated Data Processing (ADP) modernization. In this regard, Mr. Chairman, the VFW strongly believes that it is of paramount importance that the VA provide the highest quality services to veterans in the most efficient and effective manner possible. In this age of increasing demand and decreasing budgets, the VA's Automated Data Processing System is steadily becoming a more important component of the veteran's service equation.

The VA's Department of Veterans Benefits administers the agency's benefits services to millions of veterans and dependents, including compensation and pension payments, death benefits, home loan guarantees, insurance coverage, educational training and employment assistance. In order for the VA to properly handle these many different functions and accommodate the needs of millions of veterans in the most effective, efficient and timely manner possible, it is absolutely essential that they have and utilize a system wide computerized information processing system.

The VFW favorably notes that the VA is replacing the old equipment, which was installed in 1979, because it was becoming increasingly unreliable and difficult to maintain. Along with the fact that the demands placed on the TARGET System were beginning to exceed its capability, a shortage of replacement parts also contributed to the inadequacy of the old TARGET equipment. The replacement of the old equipment with the new TARGET equipment was carried out under terms of an agreement that DVB will continue to pay for maintenance at the previous rate, in exchange, the contractor will replace all the equipment at no cost to the government. It is our understanding that over 160 computers, 3,200 terminals and some 1,000 printers, valued at almost $18 million, were installed at VA Regional Offices (VARO) and insurance centers.

Information garnered by us through reviews of the VFW Report of Survey of various regional offices indicate that the quality of the current TARGET System is good and adequate to the task. The problems we have found lie with the fact that there are an inadequate number of terminals available in the current system. Driven by the Office of Management and Budget's (OMB) yearly mandates to achieve a one percent increase in efficiency, the VA is moving toward a paperless system. This is bringing about a situation where all the adjudicators, development clerks, veterans benefits counselors, especially the telephone unit, and others who work in DVB need immediate access to terminals. Veterans are ill-served and the DVB employee's morale suffers when an inadequate number of terminals causes inordinate delays and mounting frustration because there is not ready access to the VA's computerized information system.

The finance services at various regional offices need more terminals so that they may expeditiously provide loan information, access rating information, locate payment records and so forth. When the necessary information is not readily available, veterans are subjected to inordinate and often times costly delays in receiving their compensation payments and loan processing. The VA now has a good ADP System in place with the major shortfall being there are not an adequate number of terminals in place with which to access information.

In order to illustrate the problem, I will now cite some of the information contained in a VFW Report of Survey on the VA Regional Office in Houston, Texas. The information processing problems facing the VARO in Houston, Texas, are representative of problems facing VAROs throughout the nation. This particular office has the responsibility for the southern 90 counties of Texas and the country of Mexico. The primary service area has just under 900,000 veterans and its present number of full-time equivalent employees (FTEE) is just over 424.

Something which is, in fact, atypical of the majority of VAROs is that a major portion of its work load is in loan guaranty, where 25 percent of the entire system's foreclosures and property management cases are being handled. What is, however, typical of a system wide problem is that throughout this regional office there is a shortage of TARGET, ADP and Wang equipment. It appears that the Administration expects the Veterans Administration to conduct the work with fewer employees without providing the proper tools to accomplish this task. The morale of the employees at this station is being adversely affected. In assessing the Houston's VARO Veterans Service Division it is stated in the VFW Report of Survey, "With 21 telephone lines available, they lose 9.8 percent of their calls. While this is within VA standards, it means almost 120 veterans hang up each day without receiving the assistance they require. Part of this problem is having only 4 Target terminals for the 12 telephone counselors. It is estimated that the phone unit is unproductive 9.5 man hours per day waiting for an available terminal." We emphasize that 9.5 man hours per day are lost at the phone unit because of the unavailability of TARGET terminals. As OMB presses the VA to reduce its FTEE, the last thing in the world that is needed or can be tolerated is effectively losing employees due to a lack of terminals to access information. Veterans are made to wait and undergo additional stress needlessly. And the telephone benefits counselors are subjected to the additional pressure and anxiety of having to tell veteran clients, who are often times already agitited and impatient, that they must undergo additional delays due to "computer problems."

As has already been mentioned, the majority of the work load for Houston's Loan Guaranty Division comes from defaults, foreclosures, property management and sales. They have 8,000 properties in their loan portfolio and have almost 16,000 loan defaults in a pending status at the time the VFW report was issued. Even so, there are only five TARGET terminals for the whole division. This part of the regional office must have access to files if the work is to get done. We would point out that delays in this area, particularly in the handling of defaults and foreclosures, result not only in aggravation to the veteran, but great expense as well. Although the problem is perhaps especially severe in Houston, the fact remains that this is an area where information must be processed as expeditiously as possible to spare a veteran from having to needlessly suffer emotional trauma and monetary loss. It is interesting to note that in Houston the VA has been loaned three computers by the Texas Mortgage Bankers Association in an attempt to help the office stay on top of the load. The VFW finds this very commendable on the part of the Texas Mortgage Bankers Association, but asserts that the VA should not have to go out and beg, borrow or steal information processing equipment, but should be provided with all the computer capability it needs through offical channels.

Although, the VA has a good ADP System in place, it needs to increase the number of terminals available to its employees so that this information system may be properly utilized. As it now stands, veterans and their dependents are waiting longer to receive their entitlements due to the OMB precipitated reduction in staffing levels and the fact that there are unnecessary delays in information processing within the VA system because of the inadequate number of computer terminals. We have no doubt that if

computer information access capability is increased, the VA's Department of Veterans Benefits will operate more efficiently and effectively and that veterans and their dependents will be better served.

Mr. Chairman, this concludes my statement, once again I wish to commend you and the members of the Subcommittee for holding this hearing, thereby demonstrating your commitment to enhance the provision of services to veterans by the VA's Department of Veterans Benefits. Thank you.